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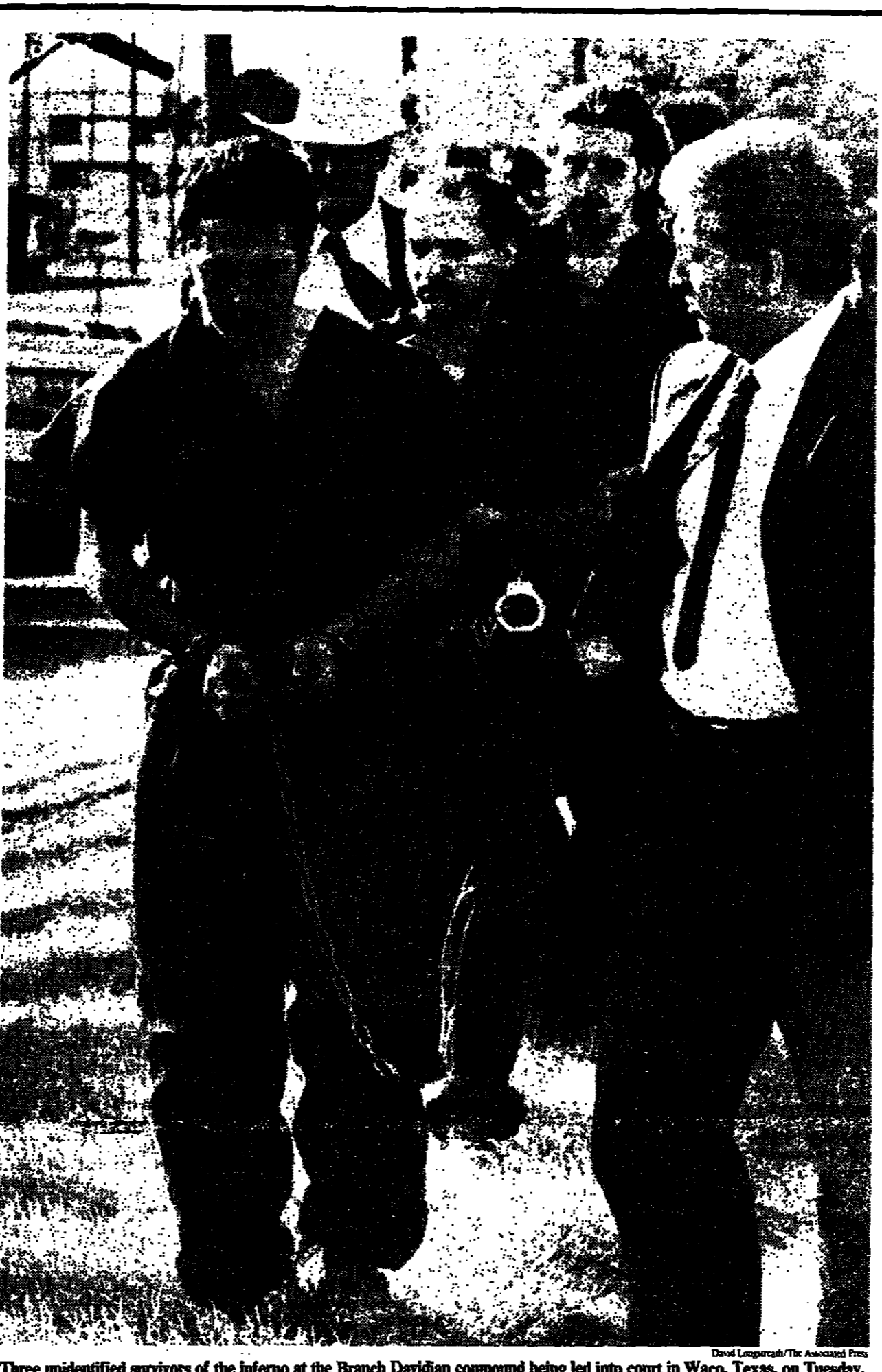
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Taking Responsibility For Raid on Texas Sect, Clinton Orders Inquiry

By Paul F. Horvitz. WASHINGTON — President Bill Clinton sought Tuesday to ease any impression that he was dodging accountability for the federal actions that led to the grisly pyre in Waco, Texas. Mr. Clinton said the failed government plan to flush out the heavily armed cult "is a decision for which I take responsibility." Then he ordered a broad internal investigation of government actions surrounding the deaths of scores of followers of the cult leader, David Koresh.

FBI Thinks Some in Cult Killed Others During Fire

WACO, Texas — Some members of the apocalyptic Branch Davidian sect may have been murdered by other cultists before fire destroyed their headquarters in a raid by the FBI to end a 51-day siege, the agency said Tuesday. "They were not allowed to leave and there is some evidence, again it's inconclusive, that there was gunfire when the fire started, there might have been people killed who were trying to get out of the compound," said Jeff Jamar, the FBI agent in charge in Waco. Mr. Jamar said that followers of David Koresh, the cult leader, deliberately set the compound afire Monday, killing an estimated 87 people, including 17 young children.



Three unidentified survivors of the inferno at the Branch Davidian compound being led into court in Waco, Texas, on Tuesday.

Pressure Grows in U.S. For Air Raids In Bosnia

'Too Slow, Too Anemic,' Senator Calls Response By President to Crisis

WASHINGTON — Pressure grew on the Clinton administration Tuesday for a stronger action in the Balkans as Secretary of State Warren M. Christopher encountered blunt criticism from members of the Senate Foreign Relations Committee impatient with what they called U.S. failure to respond to Serbian aggression in Bosnia. "We haven't done a damn thing," said Senator Joseph R. Biden Jr., Democrat of Delaware. "It just breaks your heart," said Senator Nancy Landon Kassebaum, Republican of Kansas.

On Page 2. The United Nations seeks more time to disarm Muslims in Srebrenica.

strikes and other options that he had ruled out before "the worsening situation" developed in the war.

Mr. Biden, who returned last week from a five-day trip to Bosnia, has proposed that the United States use \$50 million in congressional appropriations to provide arms immediately to the Bosnian government.

Mr. Biden said U.S. failure to help embarras Muslims was to blame for the devastation of the eastern Bosnia town of Srebrenica by Serbian forces. He urged U.S. air strikes against Bosnian Serb artillery positions around the town.

Italians Voted for Change, but Are They Ready for It?

By Alan Cowell. ROME — A little while before Italians voted in a referendum that, in effect, revived the people they had been voting in office for decades, the writer Umberto Eco asked his compatriots one of those "where were you when" questions that seemed designed to sow a little mischief in the nation's venerated political reform: If Italians now despised their ruling class so much, why did they vote for them so long?

Bonn Will Send Troops to Aid UN in Somalia

By Ferdinand Protzman. BONN — After months of bickering, Chancellor Helmut Kohl's government acted to expand its role in international peacekeeping operations Tuesday by agreeing to send German troops to assist the United Nations relief effort in Somalia.

Alarm Bells in Tokyo as Yen Soars to a Record

By James Sterngold. TOKYO — A shell-shocked Japanese government threatened tough action Tuesday to brake the yen's soaring value against the dollar, while complaining that the currency's rise was jeopardizing the economy's nascent recovery from a recession.

Kiosk U.S. and EC Extend Trade Talks a Day

The United States and the European Community failed to agree Tuesday in last-ditch talks over a trade dispute centering on public contracts, but said they would continue talking for one more day.

Strange Bird (or Is It?) Splits Scientists

By John Noble Wilford. NEW YORK — Three bird-watchers of an unusual kind, without binoculars or field guides by Roger Tory Peterson, leaned over the laboratory table and compared pieces of ancient evidence central to one of the most controversial issues in paleontology today: the history of avian evolution and early flight.

New Fossils: Bird or Dinosaur?

Article about a fossilized bird-like creature with a long neck and sharp teeth, found in Mongolia. Includes a map of the region and a drawing of the fossil.

Market data table including Dow Jones, S&P 500, and various currency exchange rates.

Foes Tag UN Asks More Time to Disarm Srebrenica Muslims

Yeltsin as Corrupt Vice President Leads the Charge

By Michael Dobbs
Washington Post Service

MOSCOW — With less than a week to go before a nationwide referendum on the future of Russia, President Boris N. Yeltsin's political opponents are trying to turn the emotional issue of high-level corruption into a vote-winner.

The anti-corruption drive is being led by Mr. Yeltsin's rebellious vice president, Alexander V. Rutskoy, who last week accused presidential aides of benefiting from foreign trade deals and sales of state property at knockdown prices. In the last few days, other opposition politicians have struck a similar theme, and corruption scandals now dominate the front pages of most anti-Yeltsin newspapers.

Campaigning Tuesday in the southern city of Yoronozh, the parliamentary chairman, Russian I. Khashbulatov, accused both the president and his government of being under the "control of criminal elements."

He accused Mr. Yeltsin's aides of planning to falsify the results of the referendum, during which 100 million or so voters will be asked Sunday to express their opinion of the president and his market-oriented reforms.

The decision to raise the corruption issue marks a considerable political gamble for Mr. Yeltsin's opponents. As inflation spirals out of control and living standards plummet, there are few more controversial themes in Russian politics than the spectacle of unscrupulous bureaucrats and shady businessmen taking advantage of chaos to enrich themselves. Up until now, however, Russian politicians have been reluctant to level charges against one another for fear of unleashing a barrage of countercharges.

In an interview Tuesday with the mass circulation *Komsomolskaya Pravda* newspaper, Mr. Rutskoy made it clear that he plans to make the anti-corruption drive a central theme in his own political drive. He confirmed for the first time that he was ready to seek the presidency if Mr. Yeltsin was forced to step down.

"I have enough strength, I fully understand the situation and, without any doubt, I will put forward my candidacy," said the vice president. "I want only one thing — to stop this corrupt and criminal chaos which is called reforms."

As chairman of the state anti-corruption commission, Mr. Rutskoy is particularly well placed to release files selectively that contain damaging material about his political opponents. In an impassioned speech before the Russian parliament Friday, he told legislators that he had 11 suitcases of documents demonstrating the systematic looting of Russia's wealth by high officials.

Mr. Rutskoy publicly broke with Mr. Yeltsin last month after the president threatened to resort to emergency rule to push through his plans for a nationwide referendum on constitutional reform. The two men are now reported to be no longer on speaking terms.

IMF Approves Funding

The International Monetary Fund agreed in principle Tuesday to new temporary standby financing aimed mainly at helping Russia, Agence France-Presse reported from Washington.

The financing will be used to help IMF member countries facing balance of payments problems in their transition from centrally planned to market economies.

The beneficiaries will be former members of the Communist bloc common market, Comecon, and other countries whose economies are going through similar transformation, the IMF report said.

Compiled by Our Staff From Dispatches

SARAJEVO, Bosnia-Herzegovina — United Nations peacekeepers asked for more time to disarm Muslim fighters in the besieged eastern Bosnian town of Srebrenica on Tuesday and stepped up efforts to halt fighting in central Bosnia.

But Bosnian Serb forces, which have besieged Srebrenica for more than a year, said they would reject any request by UN forces for a 72-hour delay in demilitarizing the Muslim-held town.

The United Nations Protection Force said Tuesday that only a handful of Srebrenica's Muslim defenders had surrendered their weapons under a demilitarization measure due to be completed by noon on Wednesday. "We are approaching the 72-hour limit, so we are now seeking a 72-hour extension," a UN spokesman, Commander Barry Brewer, said in Sarajevo.

A UN source said efforts would also be renewed to persuade Serbian forces to with-

draw beyond artillery range of Srebrenica. The Serbs say this is not part of the truce agreement.

General Milan Gvero, deputy commander of Bosnian Serb forces, insisted that UN peacekeepers and the Muslim-led Bosnian Army carry out Sunday's disarmament pact to the letter.

"The Serbian side will hold to the signed agreement and the essence of that for me is the surrender of weapons by Srebrenica's Muslims," he told the Bosnian Serb press agency, SRNA.

Meanwhile, the UN commander in Bosnia, General Philippe Morillon, met with Muslim and Croatian commanders in the southern town of Medjugorje on Monday night and was due to visit Vitez, where up to 200 people have been killed in fighting since Friday.

On Tuesday, rockets, artillery and sniper fire echoed around Vitez, 80 kilometers (50 miles) northwest of Sarajevo.

The UN spokesman in Sarajevo said that fighting between Muslims and Croats, former allies against the Serbs, was "vicious" in a battle for control of territory in central and southwestern Bosnia.

Croatian troops fired at UN armored personnel carriers near Kisejak on Monday, and seven artillery rounds later struck near Canadian soldiers, he said. He added that UN forces had returned fire, and believed they had wounded one Croatian soldier.

The European Community mediator, Lord Owen, was due in Belgrade on Wednesday for talks with President Slobodan Milosevic that are intended to revive flagging peace efforts. The UN Security Council has set an April 26 deadline for tough new sanctions on the rump state of Yugoslavia unless Bosnia's Serbs accept a peace plan drafted by Lord Owen and the UN mediator, Cyrus R. Vance.

"The peace process is not dead," a spokes-

man for Mr. Vance and Lord Owen said in Geneva. "But it is not very healthy."

Sporadic small arms and machine-gun fire was heard in Srebrenica's northern outskirts Monday night, and several tanks were seen within three kilometers of the town center.

Muslim fighters in Srebrenica have halted a UN evacuation of thousands of terrified civilians until their own safety has been secured.

Peter Kessler, of the United Nations High Commissioner for Refugees, said in Srebrenica that conditions were very bad. Streets were teeming with emaciated people denied evacuation and some were being stricken with scurvy, hepatitis and scabies.

In Vicenza, Italy, NATO sources said alliance planes had seen the first confirmed violation of the UN "no-flight" zone over Bosnia. Two U.S. F-15s sent to check a series of radar signals coming from unknown aircraft spotted a low-flying helicopter. (Reuters, AP)



Two Bosnian Serbs with aid for which they walked to Ljubovija, Serbia, waiting for a ride to Bratunac, seven kilometers away.

To Injured In Bosnia, Clinton Is Only Hope

By Peter Maass
Washington Post Service

TUZLA, Bosnia-Herzegovina — Having just been evacuated by United Nations helicopters from the hell of the besieged town of Srebrenica, some of its exhausted Muslim defenders flopped onto hospital beds here and talked in wishful tones about a man they had never seen or heard. They were talking about Bill Clinton.

"We believe in Clinton," said Edhem Merovic, whose left leg was shrouded by a Serbian tank shell. "All our hopes are with him. All he needs to do is send in three planes to take out the Serb artillery around Srebrenica. Our infantry will take care of the rest."

Other Muslim militiamen in nearby beds gave tired nods of agreement. One of them was Senad Alic, whose left leg was amputated without benefit of anesthetic in Srebrenica. Now, after being airlifted from the shattered city along with hundreds of other wounded men, women and children, he smiled at the mention of Mr. Clinton's name.

Negib Belic, who also lost a leg to a Serbian tank shell, said that "Clinton is coming around to the right ideas" — a reference to reports that the president is considering a more forceful U.S. role in Bosnia's factional war. "We have great hopes America will save us."

Their hopes seem likely to be disappointed, because clearly more than three air strikes would be needed to loosen the yeardlong stranglehold by Serbian nationalist forces on the city.

Still, it is all the wounded Muslims have to hope for, because they cannot figure out another way to save their brothers, sisters, mothers and fathers left behind among the 60,000 hungry and desperate souls still trapped in Srebrenica.

"The other side has all the guns, and we practically have to fight with bare hands," Mr. Merovic said, raising his own shaking hands, which were stained with months of dirt and grime. "The only hope for Bosnia is intervention."

It is a refrain that has been heard from Bosnia's Slavic Muslim-led government and its poorly armed defense forces for more than a year now, as Bosnian Serbian militia units, motivated and heavily armed by neighboring Serbia, seized more than 70 percent of the republic in a fierce campaign that has left more than 20,000 dead and 1.4 million homeless, most of them Muslims.

The appeal became more plaintive in recent weeks as Serbian forces closed in on Srebrenica, shelling defenseless civilians in blanket artillery attacks that prompted denunciations around the world.

More than a half-dozen militiamen interviewed in Tuzla said they believed that the UN-brokered truce virtually amounted to surrender of Srebrenica and that its defenders would refuse to lay down their arms.

They said that the Serbs would jump at the opportunity to storm the defenseless city and kill everyone in sight and that a token UN force there would not stand in their way.

"Nobody will give up their weapons," said Mr. Merovic.

In Serbian Sarajevo, the 'Normal' Peril

By John Darnott
New York Times Service

SARAJEVO, Bosnia-Herzegovina — In this, the small Serbian section of divided Sarajevo, life is ordinary — or what passes for ordinary. Or at least a lot of people say so. Yes, there is electricity only once every three days. Water is scarce and food is hard to come by. And people living in pockmarked concrete apartment buildings with windows blasted out have perfected the awkward run, a zigzag with the head down, to avoid getting shot by Muslim snipers 150 meters (500 feet) away.

But, said Branka Savcic, "We learn to live with it." Mrs. Savcic, 30, a homemaker who hopes to work in a bank soon, was out in the muddy courtyard of her housing development, tossing a yellow tennis ball for her cocker spaniel, Daisy.

"It's quite normal," she said. "Of course I have more problems because I live on the sixth floor and the water only comes up to the fourth floor. But it's normal."

She waved her arm and the gesture seemed to take in the skeletal hulks of overturned automobiles, the pieces of shrapnel still imbedded in the wall behind her, and a huge crater created by a shell that struck two days earlier.

"At first it was all very worrying. The dog still gets very scared. She looks at me to see what I will do and if my reaction is calm, she gets calm." As she spoke, there was the rattle of small-arms fire, and, farther away, the booming of a shotgun. Daisy began to bark. The Serbian section of Sarajevo is only about one-tenth of the city in territory. Called

Grabavica, it lies south of the Miljacka River and it is separated from the largely Muslim section of the city by a ribbon of no-man's-land. The line is never crossed.

Much of the world's attention is focused on the other side, which is under siege by Serbian artillery hidden high in the surrounding mountains and snipers hidden in apartment buildings here. The more than 300,000 people there are hungry and desperate and living with the knowledge that a shell can fall upon them at any moment.

But life is difficult and dangerous here, too. There is not the barrage from artillery — the Muslims have no big guns — but sniper fire is a constant menace. About 10 people are killed a week and there is no hospital, so the wounded have to be evacuated across the mountains. The two schools that were here have both closed. One of them was burned out.

Food is scarce. At the army canteen where hundreds turn up to eat, there has only been beans for the last week.

Before the war, about 20,000 people lived in this section. Now, there are 8,000. Although a large group of Muslims was expelled some weeks back, a smattering remain. The Serbs here make a point of saying that they still are close enough with Muslims to have coffee together.

"Look at this," said one of five women grabbing a moment of sun on a concrete stoop. She pointed to a woman next to her. "I'm a Serb, she's Muslim. We can still sit together here."

Other Serbs are defiant and proud and say they will never leave. "I was born here," said Biljana Andjelkovic, 27, a social worker. "I

spent my whole life here. Yes, it's dangerous but it's my town."

She was walking home and she clutched a book of astrology under her arm. She was, she said, an Aries, and that meant she was "tough and resilient."

"I'm a Serb. We are a very stupid and naive nation. We believe in others and they don't believe in us. For that, we get sanctions and those planes up in the air."

Above her was the drone of a NATO plane patrolling the "no-flight" zone that the United Nations has proclaimed over Bosnia-Herzegovina.

To reach here from Pale, the capital of the self-styled Serbian republic in Bosnia, a twisting mountain road passes by checkpoints, tanks, and pillboxes made of thick logs piled over with rocks and red dirt.

In town, in the office of the commander, Alexander Petrovic, inside a wood-lined basement, soldiers watch Bosnian television from across town because the reception on Serbian TV is so poor. An officer called Mico said snipers, not shells, were the danger.

"In any moment, it's possible to be a target. We know they have excellent equipment." The officer knew what he was talking about. Some months back, a sniper's bullet ripped through his stomach. Now he walks with a cane.

The commander was seated on a swivel desk under a sign that read, "The Enemy Is Listening."

Before the war, he said, Muslims and Serbs and Croats had lived together peacefully. "I didn't even know I was a Serb. I thought of myself as a Yugoslav. They taught me I'm a Serb."

U.S. Won't Forget East Europe, Gore Tells Poles

By Ruth Marcus
Washington Post Service

WARSAW — The U.S. vice president, Al Gore, told Poles on Tuesday that Washington's current

concentration on whether and how to aid Russia would not detract from its efforts to help Poland and other European democracies.

"Some have suggested, wrongly, that the U.S. has forgotten Eastern and Central Europe," Mr. Gore told the Polish parliament. "They argue current activity focused on Russia will detract from efforts directed at supporting Eastern Europe, or that the West sees Russia in isolation. Nothing could be further from the truth."

Addressing the parliament on his first foreign trip since taking office, Mr. Gore pledged that the United States would not "pull away from Poland and other countries of Europe" as it moved to help their "neighbors to the east."

The issue of continuing American aid to Poland, where the unemployment rate is 14 percent as the economy struggles to adjust to capitalism, has become a matter of some concern in Warsaw. The Clinton administration has concentrated its foreign-aid efforts on shoring up President Boris N. Yeltsin of Russia against his less democratic domestic rivals.

President Lech Walesa of Poland, after a meeting with Mr. Gore on Monday, proposed providing some aid to Russia by having the United States buy Polish goods for distribution there, an idea that Mr. Gore later politely dismissed.

Mr. Gore's press secretary, Marla Romash, said that in their

meetings with Mr. Gore, Mr. Walesa, Prime Minister Hanna Suchocka and other Polish officials had talked primarily about how to encourage American business investment in Poland.

Mr. Gore, who was visiting Poland to take part in the commemoration Monday of the 50th anniversary of the Warsaw Ghetto uprising against the Germans, referred again to Serbia's military actions against civilians and cities in Bosnia.

"Right now, decent people throughout the world are demanding a halt to the killing in Bosnia," he said, adding, "Serbia and Poland stand at opposite ends of a moral world."

A Bormann, in Israel, Faces Father's Past

By Clyde Haberman
New York Times Service

JERUSALEM — In this week devoted to remembrances of the Holocaust and the Warsaw Ghetto Uprising, one of the many people who grieved in Israel was the eldest son of Martin Bormann, Adolf Hitler's deputy.

Martin Bormann was in charge of carrying out Nazi directives, including those of the Final Solution that led to the killing of six million Jews in Europe.

"My feeling was one of mourning," said his son, also named Martin Bormann, after he and other children of Nazi criminals visited Yad Vashem, the Holocaust memorial in Jerusalem.

Mr. Bormann, 63, a theology teacher and former Roman Catholic priest, told the newspaper *Yedioth Ahronot* that he had felt special sorrow "when we arrived at the place where the names of the children were inscribed.

Nuremberg war crimes trials in 1946, his fate remained a mystery. A common view is that he committed suicide in Hitler's Berlin bunker as World War II ended, and his son said that this was his belief as well even though he acknowledged that he had no facts.

"I saw my father very little in my life," he told *Yedioth Ahronot*, which had learned of the low-keyed visit to Yad Vashem. He added: "I don't hate my father. For years, I learned that I have to distinguish between my father as a political man and a Nazi officer."

Mr. Bormann was one of nine Germans, all children of Nazi criminals, who met for several days last week with nine children of Jewish survivors. Their sessions at the Jewish and Arab community of Neve

Shalom were organized by Dan Bar-On, a psychologist at Ben-Gurion University in Beersheba.

No publicity was given to this visit by the offspring of war criminals, which — it goes without saying — was a highly unusual event for Israel. Mr. Bormann told the newspaper that it was his first trip here and that he was very impressed by what the Israelis have made of their country.

Talking about his father some more, he said: "He was a good father to his children and, on the other hand, a man I didn't know. Back then, I knew only that he had high status. But I didn't know what he really did."

"As a man of religion," he said, "I can say that only the Lord above can judge him. I cannot."

WORLD BRIEFS

U.S. and Germany to Swap Soldiers

BRUSSELS (AP) — As part of the North Atlantic Treaty Organization's post-Cold War strategy, the United States will swap thousands of soldiers with Germany on Thursday in a step that would put U.S. troops under German command in wartime.

The U.S. and German armies will exchange divisions of 16,000 to 20,000 troops at a ceremony in Germany, creating two multinational corps to defend Europe.

The U.S. troops would be controlled by the German commander only in an emergency, remaining under U.S. control the rest of the time. The 16,000 to 20,000 troops in each division will not move from their bases. Each multinational corps will total 50,000 to 75,000 soldiers.

UN Pulls Back Cambodia Observers

PHNOM PENH (Combined Dispatches) — The United Nations has withdrawn its military observers from two districts in north-central Cambodia, fearing more attacks by Khmer Rouge guerrillas, a UN spokesman said Tuesday.

Six unarmed military observers were ordered Sunday to leave their positions in the Khmer Rouge-dominated province of Kompong Thom after guerrillas there turned hostile, a UN military spokesman said.

The UN has blamed the Khmer Rouge for attacks in the past three weeks that have killed eight UN personnel, including a Bulgarian peacekeeper who died Monday. (AP, AFP)

Egypt Minister Escapes Assassination

CAIRO (Combined Dispatches) — Egypt's information minister, Mohammed Safwat Sherif, escaped an assassination attempt by Islamic fundamentalists here Tuesday, suffering minor cuts to the hand from glass shattered by bullets fired into his armored limousine.

His bodyguard was in serious condition with bullet wounds to the chest and back, and his driver was shot in the thigh, Mr. Sherif said. Mr. Sherif, 59, who has run the country's vast information network controlling television, radio and most newspapers and magazines for 11 years, was the most senior politician targeted for assassination in Egypt since the parliamentary election, Rifaat Mahgoub, was killed in 1990.

The Islamic Group, which seeks to overthrow the government and establish an Iran-like theocracy, took responsibility for the attack. "We claim responsibility for the attack on Safwat Sherif because of his comments against us last week," said Mohammed Sayed Seim, head of the group's military wing, "and we will continue our march against the enemies of Islam, however much it costs us." (Reuters, AP)

Belgium and Zaire Expel Diplomats

BRUSSELS (Reuters) — Belgium and Zaire expelled two diplomats from each others' embassies in their capital cities Tuesday, the latest move in a diplomatic feud between Belgium and President Mobutu Sese Seko of Zaire.

Two members of Belgium's staff in Kinshasa were declared "persona non grata" by Zaire, the Belgian Foreign Ministry said. Belgium then expelled two Zairians in Brussels. The two Belgians, part of the embassy's security staff in Kinshasa, were arrested Thursday after being accused of trying to buy Zairian Army uniforms.

Belgium, along with other major aid donors to Zaire, France and the United States, is trying to force Marshal Mobutu to hand power to a democratically elected government. In Paris, French officials said Tuesday that France, Belgium and the United States are considering freezing Marshal Mobutu's overseas fortune. But the measure is only one of many being studied, they said.

Fighting in Sudan Blocks Relief Aid

NAIROBI (Reuters) — Heavy fighting between Sudan's rebel factions and government forces across a swathe of the south is jeopardizing relief efforts for thousands of starving civilians, aid workers said Tuesday.

Foreign relief staff, notably from the United Nations, have been pulled out of Upper Nile Province and aid flights to the area have been reduced to a minimum, they said. "There's no point in putting our staff in there until things settle down," said a spokesman for the UN Children's Fund.

Fighting broke out in March when the mainstream faction of the Sudan People's Liberation Army, led by Colonel John Garang, opened an offensive against a rival group under Riek Machar. A force of up to 12,000 rebels mainly from Colonel Garang's Dinka tribe have thrust north, overrunning the villages of Kongor, Ayod and Yusi and driving back Mr. Riak's forces from the Nuer tribe, said to number only 2,000. Thousands of civilians who had been drawn to the villages where they were given international relief aid are now beyond reach.

TRAVEL UPDATE

New Zealand will investigate safety at Wellington airport, considered by many pilots as dangerous. Pilots complain that a combination of winding short runways, hazards at the end of runways and proximity of housing makes the airport one of the most difficult in the world. (Reuters)

The Thai cabinet approved long-awaited plans for construction of a second international airport for Bangkok, a government spokesman said. At an estimated cost of 80 billion baht (\$3.2 billion), it is to be built over the next seven years on 3,200 hectares of land at Nong Ngua Hao, about 30 kilometers southeast of the capital. (AFP)

Drivers of Greyhound Lines Inc. tentatively agreed to end a strike against the only intercity bus company in the United States. There had been at least 50 cases of buses or terminals being shot at by snipers during the three-year dispute. The pact with 5,800 drivers and maintenance workers provides about \$22 million in back pay, plus annual wage increases until March 1, 1998. (AP)

Buffeted by Scandal, Brazil Will Choose Republic or Monarchy

By Don Podesta
Washington Post Service

PETROPOLIS, Brazil — Any time Dom Pedro Gastão de Orleans e Bragança wants to see the resplendent crown that his great-grandfather wore as emperor of Brazil, all he has to do is walk across the park in front of his house to the old summer palace.

But he cannot touch it. The 4-pound (1.8 kilo) solid gold crown, encrusted with 639 diamonds and rimmed with 77 pearls, is under glass in what is now Brazil's imperial museum.

Dom Pedro, 80, lives in a 12-bedroom outbuilding of the former palace. While he probably will never wear the crown, his dream that the monarchy will be restored is closer to fruition now than at any other time in the 104 years since the Brazilian royal family was ousted and put on a ship for Europe.

Brazilians will vote on Wednesday to decide whether their nation should once again be a monarchy or remain a republic. If they vote to stick with the republic, they also will have to choose between the current presidential system and a parliamentary one.

But Brazilians, buffeted by the impeachment of President Fernando Collor de Mello four months ago and by the ensuing political gridlock that has deepened an economic crisis, are weary of politics and politicians.

The most recent survey by the polling firm Ibope found that two-thirds of Brazil's 90 million eligible voters would just as soon not vote at all.

The poll indicated that despite the country's massive problems, the majority of voters would opt for the status quo, preferring a republic to the monarchy by 68 percent to 12 percent and choosing to stay with a president over a parliament.

Other surveys show that more than half of the eligible voters have no idea what the plebiscite is all about.

If the people do vote the monarchy back in, Dom Pedro stands ready.

"I was educated to do my duty," Dom Pedro said in an interview at his home in Petropolis, a graceful city nestled among the luxuriant Organ Mountains an hour's drive from Rio de Janeiro. "If they ask me to do something for my country, I am ready, but I am not campaigning."

The busy-browed octogenarian rides an English purebred chestnut to his office most days. He oversees a real estate business that consists of managing the receipts from a 2.5 percent tax on real estate transactions, a covenant established when the royal family's lands were dispersed.

While Dom Pedro is considered to be next in line for the throne on genealogical grounds, there are more than 140 other descendants of the ousted emperor, Dom Pedro II, and several of them have been put forward as likely monarchs.

"I am not a pretender," Dom Pedro declared. "I am the heir."

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Rebuffed, Clinton Turns Strident in Calling for Stimulus Bill

By Ann Devroy And Eric Pianin Washington Post Service WASHINGTON — With no victory in sight even after his compromise offer, President Bill Clinton is trying to embarrass Republicans into approving his stiffer economic stimulus package, asking, "Have they no shame?"

Mr. Clinton's remarks came on a day in which the White House and Democratic and Republican leaders maneuvered over a package, originally \$16.3 billion, that the White House had scaled back by \$4 billion on Friday.

A cloture vote was planned Wednesday to determine whether a filibuster by Republicans seeking to prevent a vote on the package would continue.

The White House had said the president would turn up the heat on Republicans during the Easter recess. But if any of them were feeling it, they showed no signs.

After meeting privately Monday with the Senate majority leader, George J. Mitchell of Maine, to work out details of this week's showdown votes, the minority leader, Robert J. Dole of Kansas, voiced confidence that the Republicans would prevail. "We're in good shape," Mr. Dole said after the meeting.

Can U.S. Punish Those Who Hate? Justices to Decide

By David Margolick New York Times Service KENOSHA, Wisconsin — One October night four years ago, Todd Mitchell and some friends, all of them black, returned from a viewing of "Mississippi Burning," incensed over a scene in the movie in which a Klansman had beaten a black boy as he prayed. The group had gathered outside the Rambler apartments, near the defunct American Motors plant here, when they spotted Gregory Reddick, 14 and white, across the street.

On Wednesday, Wisconsin v. Mitchell reaches the U.S. Supreme Court, which will consider the constitutionality of the laws that Wisconsin and 29 other states have passed to combat racial and religious bigotry.

"As disgraceful and deplorable as hate crimes are, the personal prejudices of the attackers are protected," Chief Justice Nathan Heffernan wrote for the court. "The Constitution may not embrace bigoted or hateful thoughts, but it surely protects them."

Mr. Adelman noted, he would have faced no increased sentence, since they are not a protected group under the statute.

On successive days last summer, two other state supreme courts ruled on opposite sides of the "hate crime" issue. The Ohio Supreme Court rejected its state's "ethnic intimidation" statute; Oregon's highest court upheld its state statute.



Earline Clark, Mr. Koresh's grandmother, at the Chandler, Texas, home where his mother, Bonnie Haldeanus, remained secluded.

Cultists Believed 'Hour of Judgment' Was Near

By Gustav Niebuhr Washington Post Service WASHINGTON — In the seven weeks he spent barricaded against an army of federal agents in Waco, Texas, David Koresh increasingly warned anyone who would listen that events of great violence were coming.

He foresaw the end of the world, and quoted continually from the Bible's Book of Revelation, a dark and symbolic text that tells of the opening of Seven Seals, which in turn brings warfare, earthquakes and — after the final seal is broken — conflagrations that destroy much of the Earth.

Within that atmosphere, it is possible that the Branch Davidians began to recall the actions of another small, beleaguered religious group who chose suicide, he said.

think probably everyone in the compound — certainly the adults — were aware of the Jonestown history. So there was a precedent for this sort of thing.

Foreign Press Sees U.S. as 'Trigger-Happy Cop'

The Associated Press LONDON — Utter failure. Bloody debacle. Botched operation. Foreign newspapers bluntly accused American police on Tuesday of bungling the 51-day standoff with a religious cult in Texas, and predicted that "heads will roll" in President Bill Clinton's administration as a result.

Crises of the United States "will be only too happy to exploit once more the stereotype of the trigger-happy cop," said Dubai's English-language Gulf News newspaper.

Away From Politics

The U.S. report on the Tailhook sexual harassment scandal recommends that at least 140 people be considered for possible disciplinary action, Pentagon officials said.

Overseas Office and Representatives

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POLITICAL NOTES

For Some, the Baird Affair Made Life Simpler

WASHINGTON — Secretary of Defense Les Aspin, who has seen only two of 43 Pentagon officials get through the confirmation process in the Senate, has a good news-bad news view of what is happening in his department.

Next to Enter Diversity Spotlight: the FDIC

WASHINGTON — The Clinton administration is under growing congressional pressure to appoint a member of a minority group or a woman to head the Federal Deposit Insurance Corp., which has had nothing but white males as chairmen or board members.

Helms Returns to Work After Hospitalization

WASHINGTON — Senator Jesse Helms was back at work after being hospitalized for two nights.

Quote / Unquote

President Bill Clinton: "I am deeply saddened by the loss of life in Waco. My thoughts and prayers are with the families of David Koresh's victims."

A Political Kiss of Death?

Informer Links Andreotti to Mafia Chief

New York Times Service

ROME — The most graphic accusation yet of Mafia association against former Prime Minister Giulio Andreotti emerged Tuesday with testimony by an informer that the politician exchanged an embrace and kiss — a gangland token of mutual respect — with Salvatore (Totò) Riina, the Mafia's "boss of all bosses."

The allegation might have been lifted out of the pages of "The Godfather," but its implications go far beyond fiction.

Coming a day after Italians voted massively for political change in referendum, the evidence by Baldassarre Di Maggio, Mr. Riina's former driver, was certain to be taken as one more crushing indictment of the postwar era.

Mr. Andreotti, a Christian Democrat who served seven times prime minister and became the very emblem of the Italian state.

Mr. Andreotti issued a statement Tuesday night denying the allegation "very serious slander" and denying that he knew Mr. Riina.

Mr. Riina was captured in January after 23 years on the run, during which time the mob expanded greatly into the world narcotics market, acquired a singular reputation for brutality and ordered the murder of several high public officials.

Mr. Andreotti, 74, a life senator in Parliament, has denied previous testimony by Mafia informers that he acted as the mob's political protector and even ordered the assassinations of a journalist and of the

top anti-Mafia fighter, General Carlo Alberto Dalla Chiesa.

After Mr. Riina's first court appearance was televised in January, moreover, Mr. Andreotti said he had never seen him before.

But Mr. Di Maggio, a turncoat who eventually betrayed Mr. Riina to the police, said in testimony to Palermo magistrates made public by the Senate on Tuesday:

"I am absolutely certain that I recognized Giulio Andreotti because I saw him many times on television. I interpreted the kiss that Andreotti and Salvatore Riina exchanged as a sign of respect."

The incident was said to have happened five years ago at the home in Palermo of Ignazio Salvo, a high-ranking associate of Mr. Andreotti who was accused by informers of being one of the politician's main contacts with the mob.

Mr. Salvo was murdered last Sept. 17, following the March 1992 killing of another leading Andreotti aide in Sicily, Salvo Lima.

"When we walked in, the people present were the Honorable Giulio Andreotti and the Honorable Salvo Lima. They stood up and I shook their hand and kissed Ignazio Salvo. Riina, however, greeted with a kiss all three people. I left soon after," Mr. Di Maggio said, according to the magistrates' account of his testimony.

Mr. Andreotti's statement said: "I must denounce the very serious slander of my presence in the home of Ignazio Salvo, who was under house arrest, to meet with the fugitive Salvatore Riina, whom I supposedly even kissed."

He added, "I repeat that what offends and surprises me is the obstinacy in wanting to confirm that I knew even Riina."

While other accusations against Mr. Andreotti reflect more serious crimes, the image of a leading Western statesman embracing one of the world's most wanted criminals seems certain to deepen the revulsion of his critics.

Mr. Andreotti was foreign minister at the time of the purported incident.

Investigating magistrates in Palermo have requested that Mr. Andreotti's parliamentary immunity from prosecution be lifted so they can pursue their inquiries.

A Senate panel was scheduled to decide Thursday whether to lift Mr. Andreotti's immunity, but this deadline is now likely to slip.

Also on Thursday, the full Senate is to pass a similar judgment on Bettino Craxi, the former Socialist Party leader, who is accused of taking many bribes in the country's vast bribery and corruption scandal.

In denying the charges of Mafia association, a serious crime in Italy, Mr. Andreotti has insisted that he is the victim of a coordinated gangland vendetta to avenge the anti-Mafia legislation enacted during his periods in office.

The weekly news magazine *Europe* made public on Tuesday an advance version of a weekly column by Mr. Andreotti in which he declares there is a "lack of a minimum of proof" against him and said the charges were part of a conspiracy.

—ALAN COWELL



Cemetery workers cleaning up Tuesday around the grave of Chris Hanj in the Johannesburg suburb of Boksburg.

A Vow of 'Pressure Upon Pressure' on Pretoria

Compiled by Our Staff from Despatches

JOHANNESBURG — The African National Congress pledged "pressure upon pressure" against the government on Tuesday, but President Frederik W. de Klerk said negotiation was the only way forward.

The ANC secretary-general, Cyril Ramaphosa, said the movement would step up pressure for a quick political settlement to defuse the crisis set off by the April 10 murder of the Communist Party leader Chris Hanj.

"We will put pressure upon pressure upon the government," he said. "No effort to change this reality by force or pressure will succeed. Real, honest negotiation is the key to the future, not force, pressure or aggression."

Mr. de Klerk said there could be no peaceful resolution of South Africa's political conflict without his party, the African National

"Should the process not produce results by the end of May, our program of rolling mass action will enter a new phase," a statement by the African National Congress and its Communist and labor allies said.

Mr. de Klerk told Parliament in Cape Town that his National Party, which has governed South Africa since 1948, would not relinquish power until after the country's first all-race election.

"All of this is so unnecessary and harmful to the interests of our country and of all our people," he said. "No effort to change this reality by force or pressure will succeed. Real, honest negotiation is the key to the future, not force, pressure or aggression."

Mr. de Klerk said there could be no peaceful resolution of South Africa's political conflict without his party, the African National

Congress and the Zulu-dominated Inkatha Freedom Party of Chief Mangosuthu Buthe.

The African National Congress and its allies want a transitional government in place by the end of May and a date set within six weeks for all-race elections. Black youth leaders said the civil disobedience campaign was likely to include demonstrations, strikes, consumer boycotts and sit-ins at state buildings.

A Polish immigrant, Janusz Walus, is to appear in court next month on charges of killing Mr. Hanj. A member of the pro-apartheid Conservative Party, Clive Derby-Lewis, is also being held. News reports said more arrests were imminent. (Reuters, AP)

TROOPS: Bonn Agrees

(Continued from page 1)

peacekeeping. Its junior coalition partner, the Free Democratic Party, says a constitutional amendment would be necessary before such missions could be allowed.

"It is an important decision for Germany's international solidarity," Mr. Kohl said Tuesday after the deployment had been announced. But he stressed that the action did not mean German troops could be sent as part of a United Nations mission to stop the fighting in Bosnia-Herzegovina, as some Christian Democrats demanded last week.

"I have made it completely clear with regard to Yugoslavia that no government carrying my name will send soldiers there, and it remains that way," Mr. Kohl said in a brief statement on German television.

"This has found a lot of understanding from our international partners. But they expect us to participate in Somalia."

The decision Tuesday was the second significant step this month toward broadening Germany's role in international peacekeeping missions. On April 8, the Federal Constitutional Court in Karlsruhe, Germany's supreme court, said in a 5-to-3 ruling that German military personnel could remain on NATO air-control and surveillance planes that are helping enforce a UN ban on military flights over Bosnia-Herzegovina.

That decision appears to have helped break the political gridlock that had kept German troops from going to Somalia. The Bonn government said in December it would send troops to Somalia, which has been ravaged by famine and war. But the deployment was delayed because the Free Democrats said it would come too close to being a combat mission.

They softened their stance after receiving assurances from the UN secretary-general, Boutros Boutros Ghali, who formally requested German troops last week.

"The general secretary assured us — and we have to rely on that — that German soldiers will only be active in peaceful areas," said Klaus Kinkel, Germany's foreign minister.

In Mogadishu, a spokesman for the UN operation in Somalia welcomed the German decision and said, "It immensely delights us to note that senior members of the world community take the lead in joining hands to help a situation such as this."

Dieter Vogel, the chief German government spokesman, said that the final decision on sending the troops to Somalia would be made by Mr. Kohl's cabinet on Wednesday morning.

Government officials said the soldiers would use their weapons only for self-defense and would participate in clearing mines from roads, providing transportation, distributing humanitarian aid, building shelters for refugees and securing water supplies.

Hans-Ulrich Kloss, the Social Democrats' parliamentary floor leader, said the opposition party would not oppose sending troops to Somalia.

Despite the political bickering, a solid majority of Germans appears to favor sending troops on international peacekeeping missions. A recent poll by the Allensbach Institute showed that 50 percent of Germans surveyed believed Germany should be able to send its troops on UN missions, with 31 percent opposed and the remainder undecided.

BOSNIA: Air Raids Urged

(Continued from page 1)

including use of force, were receiving urgent consideration. He discussed the subject with the British foreign secretary, Douglas Hurd, whose government has strongly opposed exercising the military option in Bosnia.

Defense Secretary Les Aspin said none of Mr. Clinton's options looked attractive. "It is a very difficult set of choices," he told a Senate Defense subcommittee. He said he did not know when Mr. Clinton would decide his next move.

In Paris, a spokesman for President François Mitterrand said that Mr. Clinton and the French leader had discussed tougher UN sanctions against Serbia and Montenegro over the telephone on Tuesday. The spokesman gave no details of the conversation.

Mr. Clinton, meanwhile, is sending Leon Fuerth, the national security assistant to Vice President Al Gore, to Europe to ensure adherence to the tighter economic sanctions the UN Security Council imposed on Yugoslavia last Saturday. (AP, Reuters)

Caution by UN Leader

Mr. Boutros Ghali, speaking in Rome after talks with the Italian foreign minister, Emilio Colombo, said no nation should act alone in Bosnia-Herzegovina. A Gence France-Press reported.

"All measures that would be taken, must be taken within the framework of the United Nations and resolutions adopted by the United Nations, or with a mandate from the United Nations," the UN secretary-general said.

France and Britain, which like the United States have a veto on the UN Security Council, have expressed serious reservations on lifting the arms embargo for the Muslims or air strikes against the Serbs.

Mr. Boutros Ghali called for renewed efforts to find a peaceful solution to the Bosnia war within the framework of the settlement drafted by UN and EC mediators.

ITALY: A Vote for Change, but Is the Nation Ready?

(Continued from page 1)

postwar generation of office-holders who treated politics as personal fief, they must decide who will be their successors. The government of Prime Minister Giuliano Amato is expected to resign on Thursday, but there is no indication who will succeed him.

Moreover, the process that the referendum started by spurning the postwar political class demands not simply legislative change, but a painful economic revolution to take industry away from state managers — at the risk of ever greater unemployment and lost political patronage — and to implant a notion of fiscal responsibility that Italy's failed tax-evaders would rather not contemplate.

Most of all, though, it calls for a clear vision among Italians of what they want to replace what they have spurned.

"No political system can go ahead for much longer with this degree of uncertainty," said Umberto Bossi, head of the insurgent Northern League, which, like the former communist Democratic

Party of the Left, counted itself a big winner in the referendum.

The referendum on electoral reform was only one of eight ballots but was by far the most significant, ending the system of proportional representation for three-quarters of the Senate and proposing its replacement with a majority vote.

When eventually enacted and carried through to the lower house, the reform could revolutionize Italian politics by eliminating the smaller parties that have always flattered around democracy's flame here, and replacing them with larger parties, thus eliminating extremist splinters.

Not only that, another of the referendums severely restricted government funding of political parties. So where will the money come from now, particularly since the country's vast bribery and corruption scandal has severed access to illicit funding?

Even on Tuesday, magistrates brought fresh charges of Mafia association against Giulio Andreotti, the country's elder statesman, emblem of its postwar politics and

now lightning rod for much public disgust.

That is where Mr. Eco's question cropped up again. "Well, gosh," he had written before the referendum, "who voted for Andreotti? Some little clique of Communists?"

"These days, at least 95 percent of Italians are indignant and cry 'thief when a legislator passes on the streets,'" he said in his magazine column. In the past "did they all vote radical? Did they form public health committees? Did they get indignation then, and get over it?"

In other words, who cried foul in the good old days when the system of patronage and pork-barrel actually worked?

The question goes to the core of the far broader issues surrounding the referendum: What exactly does "change" mean in a land whose history and manners conspire to smooth the hard choices and avoid the crunch; and why should it be happening now?

In the same years that corruption took root, Italians came to enjoy one of Europe's most comfortable lifestyles. It was part of the nation's unwritten compact between Christian Democrat rulers and the West's most powerful Communist Party that the state should underwrite a standard of living that kept revolution at bay through health care and pensions and 14-month-a-year salaries. Legislation protected big business from competition. A massive state sector protected jobs.

Mr. Eco, writing of the old unwritten compact with the politicians at the apex of the system, said, "The Italians knew who you needed to see for a favor and how much it cost, how to get out of a traffic fine, how to find an easy, little job thanks to a letter of recommendation, how to win a contract without difficult competition. In short, it suited people well enough and so they held their noses and voted."

The flaw, though, was that it cost too much to sustain.

The referendum provided a cut-off point, a moment when the old guard was dismissed, and a sense of euphoria yet to be tested against the maneuvers of politicians either fearing the loss of power or seeking new access to a greater share it.

The Mononychus fossils were found in the Gobi, where the American Museum and the Mongolian Academy of Science are conducting a four-year expedition in search of dinosaurs.

BIRD: Some Say It Isn't

(Continued from page 1)

dinosaur, but the hollow bones and feathered wing of a bird. Archeopteryx is usually described as a dinosaur on the way to becoming a bird, if not a bird already.

Judging by its asymmetrical feather pattern, similar to that of modern birds, it probably could fly in some fashion. Six well-preserved specimens have been found in the 150 million-year-old limestone, lithified sediments from a prehistoric lagoon, and a seventh discovery is expected to be reported soon by German scientists.

"If this is the most primitive of all birds," Mr. Norell said, nodding at Archeopteryx, "then these are the second and third most primitive ones we know of." He picked up casts bearing the impressions of two recently discovered sparrow-sized specimens that scientists agree were flying birds. One was the 135 million-year-old Sinornis from China; the other, only slightly newer, was Iberomesornis from Spain.

Sinornis had a keeled breast bone, similar to the one to which flight muscles are attached in modern birds. Both species had an elongated skull, peck-like beak, and the coracoid, showing that the musculature of their breast worked to elevate the wing much as it does in today's birds.

Both had given up the long tails of their reptilian heritage and were left with only a pygostyle, the "pop's nose," a stubby vestigial tail of fused vertebrae out of which grew a feather fan essential to flight maneuvering.

Finally, Mr. Norell turned to Mononychus and, anticipating the question of how such a flightless, wingless animal living some 50 million years later could fit comfortably into any picture of avian evolution, said: "Whatever you would expect, it wouldn't be something like this. You would expect a fully flying bird."

The Mononychus fossils were found in the Gobi, where the American Museum and the Mongolian Academy of Science are conducting a four-year expedition in search of dinosaurs.

CLINTON: He Takes Responsibility for Texas Raid

(Continued from page 1)

and thorough" inquiry, using outside experts, and that his administration would cooperate with any congressional investigations.

An intense public debate over government actions began as live television broadcasts vividly showed the Branch Davidian cult's rural compound burning to the ground on Monday, with Mr. Koresch and his followers inside.

Initially, the tragedy appeared to place the White House on the defensive. Mr. Clinton's aides seemed to be engaged in an effort to place blame outside the realm of direct responsibility for the decision by the government to pump tear gas into the cult compound early Monday after ramming holes in exterior walls with armored military vehicles.

Attorney General Janet Reno, only a few weeks in her post, said the decision to move in with tear gas was hers, and she offered her resignation late Monday. In a late evening statement Monday, Mr. Clinton said he was briefed on Sunday by Ms. Reno and added of the decision to move in on the compound: "I told the attorney general to do what she thought was right, and I stand by that decision."

Mr. Clinton's press secretary, Dee Dee Myers, said early Tuesday that he stood "four-square behind

the attorney general" and had no intention of accepting her resignation.

The president later said that he had withheld public comment until events fully unfolded and was "bewildered" by suggestions, primarily from journalists, that he was seeking to distance himself from the debacle.

"It is not possible for a president to distance himself from things that happen when the federal government is in control," Mr. Clinton said.

He heeded the dismissal the notion that Ms. Reno should resign "because some religious fanatics murdered themselves."

Despite the government's efforts, a number of apparent contradictions emerged. For example, federal agents said Mr. Koresch repeatedly lied to them about his intentions during the 51 days of negotiations. But they seem to have accepted assurances from various cult members inside the compound that no mass suicide was contemplated.

They said they believed that mothers would flee the compound with their children. But Jeff Jamar, the FBI agent in charge in Waco, said Tuesday that "David Koresch controlled those people's lives absolutely."

Ms. Reno and Mr. Clinton said that federal law enforcement offi-

cials had reviewed "every option" before trying to tighten their perimeter around the compound and flush out the cult members with tear gas. Other senior officials, however, said they were surprised by the ensuing fire, which quickly consumed the wooden buildings, fanned by high winds.

Fire was a key factor in deadly police standoffs with other groups: in 1983 in Philadelphia, where police bombed an armed group called MOVE and in 1974 when six people died in Los Angeles in a confrontation involving the Symbionese Liberation Army.

The FBI director, William Sessions, said Tuesday that "no body contemplated" the possibility of a mass suicide.

Ex-Hostage Says All Will Die if Jail Is Stormed

Washington Post Service

LUCASVILLE, Ohio — A hostage who was released from the Southern Ohio Correctional Facility has warned that if the police try to storm the maximum security prison, the remaining five hostages will be killed.

James A. Demons, 26, one of eight prison guards taken hostage in the April 11 uprising and who was released Friday, said he was bound hand and foot, blindfolded and threatened with death during the five days he spent inside Cellblock L.

He also reiterated a charge that the tactics adopted by authorities, plus a caustic comment by a prison system spokeswoman that inmates heard on the radio, were the main causes of the death of Robert R. Vallandigham, the only hostage killed in the standoff.

Mr. Demons, one of two hostages who have been released and the only black in the group, said the rebellious inmates "don't want any more killings" and are protecting about eight inmates who are considered "snitches" by keeping them locked in cells.

Prison officials said that Mr. Vallandigham, 40, died of strangulation but was not otherwise physically abused. The announcement confirmed earlier reports that Mr. Vallandigham was hanged by some of the inmates.

FBI: Did Cultists Murder Others?

(Continued from page 1)

many bodies could be recovered. The fire started after FBI agents used armored vehicles to breach the compound walls and pump in tear gas, in an attempt to evict the cultists.

Bob Ricks, another FBI spokesman, said, "We had hoped the women would grab their children and flee, that the motherly instinct would take place."

Mr. Ricks said there was speculation that cult members poisoned the children to ease the terror and pain of the end. While some people did say there was poison in the compound, there was no confirmation it was used, he said.

At least nine cult members escaped, but authorities said they wouldn't know the precise death toll until they could search a maze of underground passages. Thirty-seven people, mostly children, had left the compound earlier, during the standoff.

Mr. Jamar said ammunition stored at the compound still was "cooking" in the hot woodshed and that it would be some time before

Death in Texas and South Africa Another truce in Bosnia Sunday's Russian referendum Japan's almighty yen EC-US-Japan trade disputes

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MANHATTAN PASSENGER SHIP TERMINAL

Hong Kong Fest: Japanese Money, Mexican Movie

By Kevin Murphy
International Herald Tribune

HONG KONG — Like many who come to this noisy trading city, the lanky Liverpoolian dressed all in black, save for a small Mexican badge on the jacket, is here to sell his wares.

Unfortunately, the market for makers of morally ambiguous films with a dark-humor bent is hard to find in Hong Kong, or anywhere else these days.

Alex Cox and his latest work, "El Patrullero" (The Highway Patrolman), made with Japanese money in Spanish with all-Mexican cast, was invited to the 17th Hong Kong International Film Festival.

"I'm glad to be in the festival, it gives me an opportunity to knock on some doors," says Cox, known for his cult classics, "Repo Man" (1984) and "Sid and Nancy" (1986) the story of the Sex Pistols' Sid Vicious and his girlfriend, Nancy Spungen.

"El Patrullero," now playing in Paris at the Action Christine Theatre, with releases scheduled later this year in Tokyo, Mexico and the United States, shows the distances filmmakers will travel in an era where U.S. studios dominate film finance and everyone not looking to make a commercial film must scramble for the joint-venture crumbs.

The backing of the giant Japanese trading house, Marubeni, and the Tokyo distributor Cable Hogue Co. Ltd., is strange, but not inexplicable. Marubeni committed to "El Patrullero" and another film made with the same cast in Mexico City, "Death and the Compass" (based on the Jorge Luis Borges short story) at a time when other Japanese

groups were making big-money forays into Hollywood. And, Cox says he's better known in Japan than any other market.

"We later found out they saw it as a samurai film," says Cox of "El Patrullero," the story of a young patrolman straight out of the academy who eventually learns the "bad guy" is actually himself due to his role in a corrupt system.

"I thought we were just making a film about a Mexican highway cop. But the Japanese saw the hero as a samurai working for the highway patrol clan who eventually rebels and goes out on his road. And the writer, Lorenzo O'Brien, saw in it his struggle to make independent films in Hollywood."

Cox and O'Brien, a Peruvian, who first met at UCLA's film school in the early 1980s, based the film on a stream of stories told by a former highway cop who drove them around Mexico scouting locations for "Walker," a film eventually shot in Nicaragua about the American adventurer who took over and ruled Nicaragua in 1856.

"The film is pretty close to our driver's life, true to the life of a lot of highway cops in Mexico," says Cox. "They're 19 or 20 years old when they come out of the academy, and they're given a stretch of highway and a car and they're told, 'You drive up and down that road and make money.'"

Cox sought the help of Mexico's highway patrol which is the focus of a thriving domestic genre of shoot-'em-ups. But one look at the script meant the film had to invent a phony police force.

Eventually the two sides reached an accord: if Cox created a fictitious police force closely resembling the highway patrol, but sporting different badges, uniforms, and patrol cars, production wouldn't be shut down. The film's reception in Japan is Cox's greatest worry: films funding prospects hinge on a good showing. He's not sure U.S. audiences will take the trouble to watch a Spanish-language film that is not a wacky Madrigal comedy. But he predicts it will do well in Mexico. "This is the 'Towering Inferno' of Mexican cinema. It was the most expensive Mexican film (\$1.25 million) ever made and it has the biggest names in Mexican cinema in it," says Cox. Roberto Sosa, who plays the hero, won the best actor



Alex Cox (bottom right) and two scenes from his film, "El Patrullero."

award at last year's San Sebastián film festival in Spain.

Critical success for Alfonso Arau's "Like Water for Chocolate," described at the Hong Kong festival as a "surrealistically erotic" story of a woman who expresses her love for a man she's forbidden to marry through her cooking for him, may, according to Cox, pave the way for other Mexican films.

"Alfonso and I are glad that each other's films are having some success. His is a beautiful, very romantic vision of Mexican life at the beginning of the century. Mine is more realistic and somewhat grimmer although there is a beauty there. Both correspond to a certain Mexican reality."

That a former Oxford University law student who refuses to make morally black and white films finds

himself on the crest of a hoped-for new wave in Mexican cinema comes about more through circumstance than design. Cox's career and future projects will take him where the finance is.

"Sometimes you get down to the stage where you've only got \$200. It's a stressful existence, but not as stressful as being a conventional director," says Cox, who nonetheless believes, given the standard fare of big-budget movies, that he'll continue in seat-of-the-pants filmmaking.

"I think I have to stay there, in the realm of ambiguous moral tales which Hollywood hates. I'm not good at blowing things up and I don't believe there are only good people and bad people. In general people contain both and I'm not

comfortable with an arbitrary division between them, that way lies fascism."

Cox's ongoing projects include a film about Che Guevara and a "grim comedy" about the first manned flight to Mars, both supported by European groups. But Cox wouldn't be surprised to see himself working in Asia, "with a good translator."

"Look at the Japanese and Kurosawa. What more arbitrary and cursed guy could there be working in a studio making his personal films?" he says. "The Japanese are not as predictable as Westerners think. They have a wonderful sense of the perverse. They also know when you're only spending a million bucks, you can do what you want. The film, unless it's really bad, is going to make money."

Putting Bartók in Context, With a New 'Bluebeard'

By David Stevens
International Herald Tribune

PARIS — Unprompted by any round-numbered anniversary or other formal pretext, the Théâtre du Châtelet has devoted much of the second half of the current season to a cycle of the music of Béla Bartók.

Extensive but not comprehensive, the program consists of 17 concerts in which 30-odd works (or excerpts, in the case of the "Mikrokosmos" piano series) are put in juxtaposition with the music of pertinent predecessors (Haydn, Liszt), contemporaries (Stravinsky, Schoenberg, Debussy, Prokofiev, Martinu) or present-day Hungarians (Kurtág, Ligeti).

Included were the concertos and sonatas for piano and violin, the late orchestral works of his years in exile before his death in New York in 1945, and the six string quartets — now as much of an imperative in this repertory as Beethoven's. Also present were the trio "Contrasts" (commissioned by Benny Goodman) and the Sonata for Two Pianos and Percussion. Missing were the "Cantata Profana" and the ballet score of "The Wooden Prince."

Some early works were included, notably the very early Piano Quintet, with its distant echoes of Brahms, Liszt and Strauss.

BECAUSE Bartók was such a formidable pianist that he could easily have pursued a career as a virtuoso, and because he wrote most of his piano music for himself, the works for this instrument were of particular interest.

Zoltán Kocsis, himself a composer and pianist, triumphed brilliantly with the Third Concerto (the "easy" one, written for his second wife, Ditta Pasztor), and Peter Donohoe brought his rock solid technique to the Second. And Deszö Ranki shone in a program that included several of the solo piano works. The quartets were performed with precision and élan by the Tokyo Quartet, which included a Haydn quartet in each of its three programs as a reminder of Bartók's classical lineage.

Coming up is the centerpiece of the cycle, beginning Friday, four performances of a new production of Bartók's only opera, "Bluebeard's Castle," conducted by Charles Dutoit with the Orchestre National, staged by Stéphane



Bartók as seen by New York cartoonist Aline Fruhaup.

Braunschweig, and with Eva Marton and Csaba Alizer in the two vocal parts.

The cycle will end with two major concerts on June 28, when Daniel Barenboim and Pierre Boulez collaborate on the First Piano Concerto, and June 29, when Simon Rattle conducts his City of Birmingham Symphony Orchestra in the Concerto for Orchestra and the suite from the ballet score for "The Miraculous Mandarin."

Although "Bluebeard's Castle" comes from an early stage in Bartók's development (1911, but not performed until 1918), it is along with the two ballets a key work in his output. All three oppose a man and a woman in stories of psychological depth, profoundly revealing of the secret recesses in the soul of a creative artist.

"Bluebeard" treats the legend in a way that relies almost not at all on stage action, but with a rich score that unveils the symbolism behind each of the seven doors opened by Judith, Bluebeard's wife No. 4. Finally, she joins the other wives behind the seventh door and leaves him in darkness and alone where no one can follow — not even a loving and beloved woman.

Although he is one of the three musical giants of the first half of this century, Bartók appears as a solitary and enigmatic figure. Un-

like Schoenberg, he was not a theorist, he did not teach composition but confined himself to teaching piano, nor did he leave behind a school of composition. Unlike Stravinsky, he did not burst onto the international scene with a series of brilliant, iconoclastic works. He moved gradually toward the maturity of his final years, in unhappy exile, during which he produced the works that assure his place in the repertory.

As a major ethnomusicologist he discovered — with Zoltán Kodály — the authentic folk music of Hungary, and of other Balkan countries as well as of Turkey and North Africa. This became the raw material of a slowly evolving personal style that set him apart from the Germanic influences of his youth and in the end created a Hungaro-Balkan musical tradition of art music where none had existed before.

The Châtelet's cycle has been augmented by a series of conferences on various aspects of the composer's life and work. And scattered around the theater's foyers and corridors is a generous assortment of iconography, much of it unfamiliar. In all, this cycle has offered a rich justification of concentrated programming of a central figure in 20th-century music.

LONDON THEATER

The Vanishing Stoppard

By Sheridan Morley
International Herald Tribune

LONDON — Several ghosts haunt the long dining-table which dominates the set of Tom Stoppard's "Arcadia" on the Lyttelton stage of the National. Many of them are meant to acknowledge Lord Byron, who just might have been dining there in 1809; Capability Brown, whose elegant classical gardens, glimpsed through the tall windows, are being laid low by the coming of the new steam engine; Lady Bracknell, not yet born but hovering over the proceedings already; Lady Caroline Lamb, about whom the latter day researcher of Arcadia (Felicity Kendal) has just published a controversial biography.

Then again, there are ancient and modern philosophers and scientists, creators of the chaos theories and the computers which add to them; Mrs. Gaskell is in there somewhere, and Jane Austen, and Oscar Wilde and Isaac Newton, none of them actually on stage but all gathered in essence, just as in more realistic times Stoppard once gathered Lenin and Izara and Joyce in Zurich for "Travesties."

But there are other ghosts around "Arcadia" and they are the more scary ones: the ghosts of Christopher Fry and Jean Anouilh, who in their later dramas (Fry remains of course superbly alive in real life) more or less abandoned activity for arcane debate. To final image of Trevor Nunn's exquisitely measured production is of the four Central Arcadians dancing in circles around the table, getting nowhere enchantingly, and it is all too symbolic of the play which precedes it.

"Arcadia" offers us the tantalizing prospect of Britain's most intelligent and referential dramatist finally vanishing in his own brilliance. It is in the end a play about everything and nothing, in which knowledge is all and caring is nil. We are in two time-frames: 1809, when the Byronic escapee might not have happened, and 1993 when its researchers (Kendal and Billy Nighty) come together to ponder its improbable theories as well as those of chaos theory and the premature discovery of computer science by one of those cliff spirits (Emma Fielding) doomed, usually by Barrie or Anouilh, to early and tragic death. This is a wordplay of Stoppard's customary, Scabbeled brilliance about the true meaning of life, and the nature of existence and the tortoise back from "Jungles." It also, at times, resembles a Feynman farce rewritten by Richard Bristley Sheridan, and at others the desperate erudition of a man painfully unable to make us care about any

of his characters. Sometimes whole scenes start out as "Hay Fever" or "The School of Scandal," while at others Stoppard seems to be offering us Emile Zola on speed, or "The Chalk Garden," rewritten by Stephen Hawking.

Once you have decided that chaos comes from order, rather than the reverse, you have still to clear a path through the trees, or at least those left after a "Cherry Orchard" garden rethink. Like his researches, Stoppard frequently comments on his play in progress ("Beidehead Regurgitated"), but somewhere along the way he has started to write its footnotes instead of its central text.

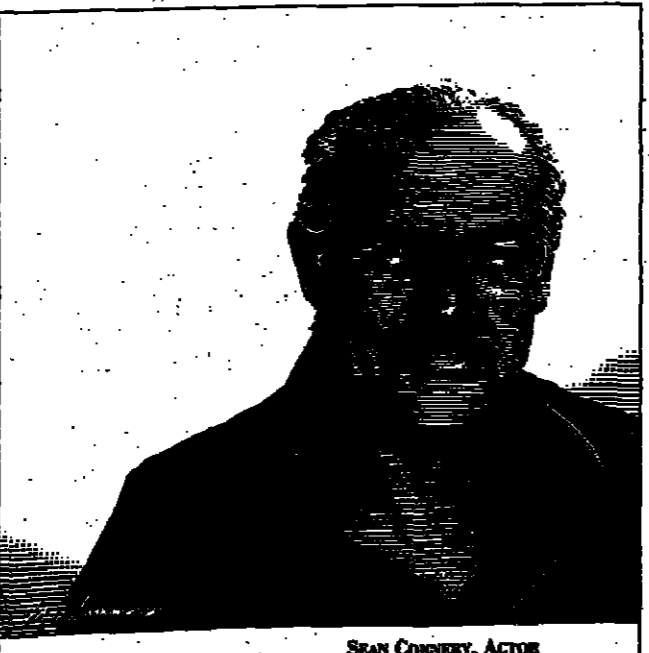
"Arcadia" bears all the signs of a playwright desperately signaling to his audience that he has done the research but now lacks the dramatic equipment to get its results across the footlights. It is a guided tour of a play rather than the play itself, but you won't find a more intelligent or maddening conversational folly. Hasten along.

Hasten, too, to Richmond, where at the Orange Tree you will find thoroughly enthralling rediscovery.

St. John Hankin was a turn-of-the-century English dramatist who in 1909 weighed his neck down with bar bells and walked to his death in a Welsh river. A verdict of "suicide while temporarily insane" was returned, but the evidence of his "Return of the Prodigal" suggests a playwright unable to come to terms with being neither Shaw nor Ibsen, and a patriot appalled by the shifts in local middle-class morality.

As his title might suggest, his play is a variant on the old parable of the wastrel son returning to the bosom of his family, in this case essentially to blackmail them into a further loan. But they too are torn apart by social and political treachery, and it is not hard to find Hankin therefore central to the line which runs from Galsworthy to Priestley in British domestic drama.

In Peter Leslie Wild's sturdy production, Timothy Watson in the title role and Frank Moorey as his politically ambitious father outline the double standards by which the rest of Hankin's characters are also seen to live, in a land fit for charlatans only.



SEAN CONNERY, ACTOR

People at the top read the Trib.
Herald Tribune

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OPINION

Herald Tribune
Published With The New York Times and The Washington Post

A Cult Up in Flames

A Frightful Outcome

The inferno that engulfed and destroyed the Branch Davidian compound in Waco on Monday turned a difficult and intractable standoff into a calamity. For 51 days, David Koresh and his followers had barricaded themselves in a collection of buildings, rising then dashing hopes that the situation could be resolved without further bloodshed. It is still not possible to say with finality exactly what went wrong, but it cannot be disputed that the conclusion of the episode was just about the worst that could have been expected.

It is easy in hindsight to question the government's decision to increase pressure on the cult leaders. Having waited seven weeks, couldn't authorities have continued the vigil until supplies of food and water ran out in the compound, or until Mr. Koresh surrendered or other, wiser heads took control inside? Attorney General Janet Reno says that this strategy was considered but rejected, in part because experts believed that the 17 children in the facility were being abused and were in danger. Further, there was fear that harm would come to others in the compound and to law enforcement personnel if information that the Justice Department had about a planned final battle

proved correct. Simple withdrawal from the area was never an option because that might have allowed the escape of those responsible for the killing of four federal agents on Feb. 28 in the illegal stockpiling of arms that was the initial reason for the government's assault on the buildings.

The Justice Department's plan to escalate pressure was reasonable on its face. Dozens of former cult members around the world were interviewed during the siege, and none predicted a mass suicide. Special efforts were made to obtain the release of the children; rooms where they were thought to be held were not assaulted. Medical experts gave assurances that the tear gas used was neither lethal nor permanently damaging. And despite the hundreds of rounds of bullets directed against the officers Monday morning, that fire was not returned. Nevertheless, the horror of the fire—which Attorney General Reno says she is "absolutely sure" was started inside the compound—was unexpected and devastating.

In the weeks ahead, more details will come out, and more questions will be asked about the need for the raid, the conduct of the siege and the specifics of how and why so many people perished. It is enough for now to mourn the frightful outcome.

—THE WASHINGTON POST.

Botched From the Start

David Koresh claimed to be God and threatened an apocalypse if federal agents stormed the compound near Waco where his Branch Davidian followers were encircled for 51 days. But there was nothing divinely ordained in Monday's catastrophe. It followed a dawn assault by the FBI meant to save lives by pumping nonlethal gas into the compound. Scores of people were killed, hours later, in a suicidal pyre evidently ignited by the Branch Davidians.

The demoted Mr. Koresh achieved his martyrdom, but this was assuredly not what the FBI, the Justice Department or President Bill Clinton wanted. Of at least 17 children in the compound, none are known to have survived; as many as 70 adults are presumed dead. Mr. Clinton and Attorney General Janet Reno will need much better explanations than the visibly shaken Ms. Reno gave on Monday to justify what looks like an ill-conceived and unwarranted operation. On the facts as she presented them, time was on the authorities' side, and they threw it away.

As Ms. Reno acknowledged, the assault was not the result of new circumstances or new ultimatums from Mr. Koresh. The showdown was approved in the belief that the armed standoff could not continue indefinitely, and that the current team surrounding the enclave would have to be replaced, requiring the training and preparation of a whole new group. In the words of Bob Ricks, the FBI spokesman in Waco, the impasse "had to be brought to a logical conclusion

at some point." It is hard to believe that impatience alone could justify a risky showdown with an unbalanced adversary.

Ms. Reno described the tear gas attack as an incremental increase in pressure on the cultists designed to encourage women and children to flee, with no intention that Monday would become "D-Day." But assault by an armored vehicle equipped to poke holes in buildings seems like a large escalation of force more likely to make cultists think that D-Day had indeed arrived.

Obviously the choices were cruel, and by all accounts FBI agents showed courage and restraint in not returning fire when dozens of rounds were directed at them from within the compound. But in light of the tragedy, Mr. Ricks's assertion that there was "no question our plan was correct" seems sadly to miss the point. The plan, which Ms. Reno said was approved unanimously by her advisers, and to which Mr. Clinton gave his assent, assumed that Mr. Koresh would yield without carrying out his suicidal threats. The miscalculation was near total.

The Koresh affair has been mishandled from beginning to end. It started with a bungled attack by federal Alcohol, Tobacco and Firearms agents in which four agents and an unknown number of cultists were killed, and ended in Monday's FBI misjudgment. The hard lesson is that patience and determination do not cost lives, but impatience does. Does anyone now doubt that it would have been better to let the standoff in Waco continue?

—THE NEW YORK TIMES.

Tudjman Has It Wrong

It is awkward but necessary to single out one of the guests invited to the opening next Monday of the Holocaust Museum in Washington, which memorializes the 6 million Jews and others who were victims of Nazi Germany. We refer to Croatia's president, Franjo Tudjman, who arrives under the cloud spun by his own public, recent and freshly reaffirmed remarks on Jews.

In 1988 Mr. Tudjman, a former Communist general who had become a historian and a leading voice of Croatian nationalism, published what he presented as a philosophical treatise called "Wilderness of Historical Reality." Soon after, as Croatia asserted its independence and he became its first and elected president, the book started generating the storm that is swirling still. The passages most at issue suggest that "special features" of the Jews' religion and mentality provoked attacks on them, that Jews used "emotional biased testimonies" and "exaggerate" their Holocaust losses, that their beliefs sanction "genocide" for Jewish purposes (against Palestinians) and so on. In short, not trivial anti-Semitism but truly heavy stuff.

Mr. Tudjman appears insensitive to the resonances of it. He explains wearily that

challenges to his book spring from misunderstandings and excerpts taken out of context. He has repeatedly asserted his good will toward Jews and his personal probity as one who fought Nazis and was jailed by Communists. But he does not take back what he said. Rather, in the conspiratorially Balkan fashion, he sees in the questions about his book the sinister hand of two nemeses, Serbs and Communists, bent on humiliating Croatia.

His government has prepared its own 250-page rebuttal, "An Analysis of Serbian Propaganda." The lands where the destiny of European Jews was determined include countries still working their way out from under the debris of Hitlerism and communism. The Holocaust Museum people invited to the opening of the leaders of all of them not currently violating human rights. Serbia alone was adjudged not to meet that standard. Croatia sought a place in the charmed circle, and, with public attention fixed mostly on Serbia, got in. More than most, however, Mr. Tudjman has cause to ponder deeply the purpose—remembering, thinking, coming to terms—of the event at which he is a guest.

—THE WASHINGTON POST.

Other Comment

The New World Impotence

Secretary of State Warren Christopher is in agreement with official Britain, dismissing Margaret Thatcher as "emotional." Others in the Clinton administration, proposing such measures as the creation of refugee havens within Bosnia, clearly do not have the boss's ear. In the end, it may not matter. The Europeans unanimously oppose arming the Bosnians and unanimously oppose even such inconvenience to the Serbs as air strikes might provide. Lord Owen, his folly exposed by events, now favors strikes, but they do not. Without European cooperation, Bill Clinton has said until now that he is reluctant to move.

In short, ghastly as the slaughter will be, it is the precedent established for the rest of Eastern Europe and the former Soviet Union, it looks right now as if nothing of any consequence will be done. This impotence, this appalling unanimity, is as much of a new world order as we shall soon see.

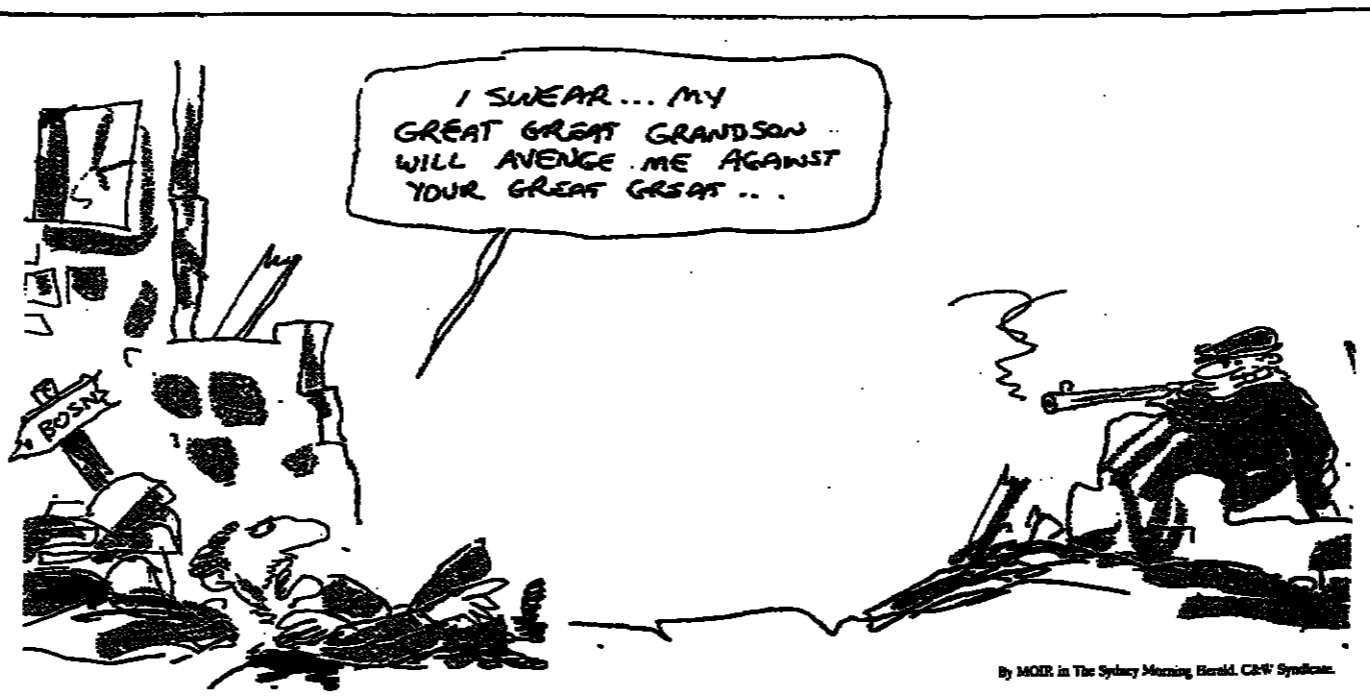
—Los Angeles Times.

Bashing Makes Bad Policy

While Japan-bashers will cheer the Clinton administration, genuine free-traders are nervous not just about a U.S.-Japan trade war but about the concept of managed trade. Jagdish Bhagwati, a trade economist, calls the U.S. approach "a form of export protectionism" that could undermine the world trading system. Many like him hope that the U.S.-Japan dispute will be settled at a multilateral, rather than a bilateral, level.

This does not absolve Japan from the responsibility of initiating measures to open its markets. Some analysts argue that in its stubborn refusal to allow access, the Japanese government has incurred the wrath of the Americans and will now have to bear the consequences. However, U.S. trade policymakers must ponder the consequences of casting aside the multilateral trading system. If they take the wrong turn, they will doom the rest of the world's trading nations to a regime where bullies reign.

—Business Times (Singapore).



Europe's Reasons to Skip Bosnia Aren't All Bad

By Roy Denman

BRUSSELS — Europe has been getting a bad press. It often does, because the European Community is called upon to deal with political problems when it is not yet a political union; thus it tends to move with the agility and surefootedness of a pantomime horse. But on Bosnia its marginal action has reasons, historical, political and practical.

First, historical. Every Saturday a French-Belgian-German television channel, ARTE, airs extracts from newsreels of 50 years ago. Images of the Second Great European Civil War flicker on the screen. The French are solemnly advised to forget the profligacy of the Third Republic and listen respectfully to Marshal Petain. The British newsreels, with their clipped accents, resound with calls like "I say, chaps, let's kick Rommel for six, and cracking good luck to you all." The German newsreels show German troops endlessly marching and singing—from Narvik, in northern Norway, to the gates of Cairo, from the Spanish frontier to the Caucasus. One medium European power had taken on, simultaneously, the British Empire, the United States and the Soviet Union—and it nearly won.

This fact remains as deep in the European consciousness as the Civil War is in the minds of Americans for a hundred years after Appomattox. If a German Panzer division had been mobilized for service in the Gulf, the same shock waves

would have been sent as if the Southern states in the early 1900s had re-formed the Army of Northern Virginia and staged a great march past in Richmond. History is about exorcising ghosts. This one will keep German divisions from marching beyond German frontiers for years to come.

Political. An armed European intervention in the Balkans would mean the beginning of the end of separate European national foreign policies. For heads of government (let alone their foreign ministers) this would be a desperate deprivation: Foreign policy is the Demon Drink of government. One sip, and thoughts of grappling with municipal drainage or waste disposal fade away. A glamorous world is conjured up, a cocktail of jet travel, summit meetings, banquets in faraway places, television cameras and a hustled and waiting world. Few have proved immune.

Woodrow Wilson was an early victim. We all know about Richard Nixon and George Bush. Do not be so sure about Bill Clinton.

One day there will be a European union. But the day is not yet. First the resistance of a powerful trade union, HOGMINFA (Heads of Government and Ministers of Foreign Affairs) will have to be overcome. It will take years.

Practical. People in Western Europe have grown up killing each other. In Eastern Europe they still do, continuing a millennial tradition. Those who suggest that troops from EC countries should be sent to an attempt to stop the latest fighting should think of the consequences. At least 100,000 troops would be needed, for an indefinite number of years—a European Vietnam.

Would West Europeans be prepared for the long casualty lists—sons with their brains blown out in a private Balkan quarrel—and for the extra taxes to pay for this major expedition?

As for "surgical air strikes," anyone who thinks that these can prove decisive in wooded, hilly country is living in fantasy land. It is, think not an unfair comment that few of those who strongly favor the large-scale use of Western troops have ever seen a rifle fired in action.

Beirut should have taught that factions in a tribal war will stop fighting only when exhausted, and that the one practical thing the West can do in the meantime is to offer humanitarian aid.

If Europeans are hesitant to march into what was Yugoslavia and join in a tribal war, their hesitation is for several reasons, good and less good. Those who ignore them should remember what a British politician once said: "When there is a great cry that something must be done, you can depend on it that something remarkably silly probably will be done."

International Herald Tribune.

Asians Deserve Their Rights, Like Everyone Else

By Sidney Jones

NEW YORK — For the last year, a group of Asian governments led by Singapore, Indonesia and China have been promoting, increasingly stridently, an "Asian concept" of human rights in which political and civil liberties are subordinated to economic development. Now this attempt has been demolished.

The occasion was a meeting in Bangkok to prepare for a UN World Conference on Human Rights in June in Vienna. Delegates of some 40 Asian governments assembled from March 29 to April 2 to read out position papers and prepare a joint statement for the Vienna conference.

With Iran chairing the drafting committee and all the major human rights violators of the region present, the whole exercise would have been surreal had it not been for the presence of more than 240 men and women representing 110 Asian non-governmental organizations.

There were human rights lawyers from Pakistan and Sri Lanka; repre-

sentatives of indigenous peoples from Bangladesh and Nagaland along the Indian-Burmese border; women's rights activists from India and the Philippines; Japanese, Thai, Indian and Korean civil liberties groups; environmentalists from Malaysia; Buddhists and Baha'is; a group working on behalf of refugees from Bhutan and another for human rights in China.

No one had expected so many non-governmental organizations (NGOs) to be there; no one could have imagined that by precisely the democratic methods that their governments find "un-Asian," such a diverse group of people, most of whom had never met before, would organize into a single, well-coordinated lobby, whose leaders and hammer out a consensus declaration that refuted or contested every major premise of the "Asian concept" of human rights.

They effectively exposed the governments' line for what it is: a pre-

text of largely authoritarian governments to justify their unchecked power in the name of meeting economic and social needs.

The head of the official Indonesian delegation asked rhetorically, "How can one express one's opinions freely if one is illiterate?" The NGOs retorted at a press conference that people did not have to know how to read and write to know that their bodies were being violated or their land taken away.

The representatives of Sri Lankan organizations pointed out that high levels of literacy did not guarantee protection of human rights.

To the governments' claim that historical, cultural and economic differences must be taken into account, the organizations stressed the universality of human rights and stated that neither lack of resources nor cultural difference could justify abuses by governments.

To the official emphasis on the

need for stability and security, the organizations responded that governments in the region too often used national security or the need to combat terrorism as a justification for political killings, arbitrary arrests and the stifling of free expression. The stress on law and order, the organizations said in their own Bangkok Declaration, "is a facade for authoritarianism and for the suppression of democratic aspirations."

Not all the government statements were self-serving. Japan, for example, rejected a theme common to many of those statements when its representative said: "My delegation does not accept the view that to express concern over grave violations of human rights in whatever country such abuses may occur is an interference in that country's internal affairs."

Nepal, South Korea and the Philippines were generally constructive. It is no coincidence that they are fledgling democracies where the human rights movement played an important role in the transition from authoritarian rule. Nor is it a coincidence that the countries most advanced about the primacy of economic development are those in which alternative voices are silenced or harassed.

The Bangkok meeting produced a joint governmental declaration that does little to promote human rights and much to undermine them. Was the whole exercise then another expensive, meaningless UN extravaganza?

Absolutely not. Governments were forced to recognize that their definition of what is "Asian" is not necessarily shared by their own citizens, that economic growth is not the be-all and end-all for everyone in the region, and that Asians do not want their political and civil rights traded away in the name of development.

From the outset, Indonesia tried to set an Asia-versus-West tone, castigating "the tendency by a group of countries to arrogate to themselves the role of judge and jury over other countries..." backed by the power of their biased media and single-minded NGOs. But as one after another of the Asian organizations spoke, it was clear that the real confrontation was Asia versus Asia, and that the Asian governments should take note.

The writer, executive director of Asia Watch, attended the Bangkok meeting as an observer. She contributed this comment to the Herald Tribune.

The Real Israel Sees a Different Future

By Ephraim Sneh

JERUSALEM — Close relations have been established between the Clinton administration and the government of Prime Minister Yitzhak Rabin, but some conservative American Jews, longtime friends of Israel, are turning their backs. A few even advocate slashing U.S. aid to Israel.

They were happier with Prime Minister Yitzhak Shamir's approach to peace talks. But it is not possible to be a friend of Israel and an enemy of the peace process.

Not everyone fully grasps the changes in the Middle East. Most Arab states understand that Islamic radicalism, not Zionism, is the ideology that endangers their stability. The new situation creates an opportunity for a new alliance of sane countries against a common extremist threat. The introduction of weapons of mass destruction has enhanced the need to create an environment of peace in order to prevent war.

The Rabin government took upon

itself the mission of introducing Israel to the changing world, to pursue in earnest a peace agreement with its neighbors, first and foremost with the Palestinians. It enjoys a clear parliamentary majority, a mandate for three and a half more years.

Making peace under a brutal terrorist offensive waged by fanatics is a tough, complicated job. The friction between Israelis and Palestinians recently reached an unbearable intensity, and Israel had to take the emergency measure of sealing off the territories. (The presence of more than 100 Israeli settlements in the West Bank and the Gaza Strip does not make the situation any easier.)

Israel can cope with terrorism, but beyond it a settlement of the conflict is needed. It can be achieved only through negotiations, and the time to talk is running out. The extremists among the Palestinians gain strength every day, as long as no progress is achieved.

It is unfortunate that the Arab delegations postponed the talks in Washington scheduled for this Tuesday. The Palestinians and Arab countries are not doing Israel a favor by negotiating; the process would benefit both sides of the conflict.

With all its readiness to be flexible, Israel insists on basic conditions:

1. The unity of Jerusalem, the capital of Israel.

2. During the transition period, the interim arrangement with the Palestinians will be based on self-government, not on a higher level of sovereignty.

3. A compromise with Syria on the Golan Heights will be based on Israel's security requirements and depend on a revolutionary and profound change of relations between the two countries.

4. The war against terrorism will continue; the government has proved that, when necessary, harsh measures can be taken, regardless of protests by friends and foes.

Peace and stability in Israel's vicinity, and cooperation between the moderate elements in the Middle East, serve interests of the United States. Fortunately, the Clinton administration appreciates the fact that at a time when the window of opportunity may be closing sooner than expected, Israel is led by a pragmatic government.

Americans who criticize the Rabin government do not understand that for Israel peace is not just another means, it is a supreme strategic goal. They may not have experienced the horrors of war and the tough conditions of daily life in Israel.

The other day, Moshe Bari, a 21-year-old paratrooper, was killed in southern Lebanon, near the Israeli border. He was buried in the military cemetery in Jerusalem beside the grave of his father, Meir, who was killed in the October 1973 war.

The government is determined to try to break this tragic cycle, to provide the next generation with a different future. Hard-line criticism from a safe distance of 6,000 miles will not change the situation.

The writer, a former head of the civil administration in the West Bank, is a Labor member of the Knesset. He contributed this comment to The New York Times.

He Should Shoot for The Moon

By David S. Broder

WASHINGTON — Last year Dave Chase was a 29-year-old navy lieutenant with a fine record and a Pentagon assignment that promised a bright future. But he had a problem. "My friends and fellow officers were good people," he recalled, "but there were thousands of us, spending every working hour defending our little piece of program and budget—and nobody was thinking about the country."

So he decided to leave the navy. After hearing a radio broadcast featuring Paul Tsongas, the former Massachusetts senator and presidential candidate, Mr. Chase became a volunteer at the Concord Coalition. The organization was launched by Mr. Tsongas, a Democrat, and Warren Rudman, the former New Hampshire Republican senator, to elicit public support for strong measures to reduce the federal budget deficit.

Mr. Chase, now the paid Concord Coalition organizer in Minnesota, asked the key question at last week's initial national policy forum held by the coalition here in Washington. Cutting through a fog of economic forecasts and analyses, he said: "Why don't we have a plan that gets the budget deficit to zero?"

President Bill Clinton, Mr. Chase noted, talks about how much he is cutting the deficit, and Congress says it is doing even more. But look at the numbers and the deficit is still slated to be \$212 billion four years from now—and then increase.

So the central weakness in the new administration's economic battle plan becomes clear. "We need something out there that the public can understand," Robert Reichbauer, head of the nonpartisan Congressional Budget Office, told the Concord meeting. "I doubt if the space program would have gone very far if President Kennedy had asked for the capacity to get a man 239,000 miles into space and back. We needed the moon."

Mr. Reichbauer gave the relevant numbers: To wipe out the budget deficit in 10 years would require an additional \$48 billion of spending cuts and/or tax increases each year from now to 2003. To do it in five years would take \$12 billion a year more. In comparison, the five-year budget summit agreement of 1990 saved \$28 billion each year. Mr. Clinton is proposing \$20 billion a year—less than half what it would take to eliminate the deficit in a decade, by Mr. Reichbauer's estimates.

The president and his advisers argue that steeper cuts might tip a fragile recovery back into recession. That is a legitimate view, but it is disputed across the political spectrum. Mr. Reichbauer said that a five- or 10-year plan to eliminate the deficit would "slow the economy perhaps one-half percent a year, but not enough to abort the recovery."

At the same meeting, Paul Volcker, the former Federal Reserve chairman and symbol of financial caution, said, "I do not lose sleep worrying that we may cut the deficit too much." And Charles Schultz, chief of the U.S. Bureau of Budget in the Carter administration and a Democratic partisan, called Mr. Clinton's cuts minimal.

Officially, the Clinton administration is pinning its hopes for additional deficit reduction on enactment of a health reform plan intended to cut fast-rising medical costs. But administration officials acknowledge that Mr. Schultz is right when he says that in the next five years, "even a highly successful health-care cost control initiative will not produce any significant net savings to be used for debt reduction," once the costs of providing health care for the millions now uninsured are included.

So there is no Clinton plan to eliminate the budget deficit. Instead, Mr. Clinton intends to join Ronald Reagan and George Bush at another of history's great budget-busters. He plans to add \$937 billion to the national debt in four years.

Shrewd as he is, Mr. Clinton has been slow to understand that the public is ready to accept tough measures to stop deficit spending. In New Hampshire more than a year ago, he thought he had to sugarcoat the message by promising a middle-class tax cut—and was outflanked by Mr. Tsongas. Last fall, he was outflanked again on the deficit issue by Ross Perot. And now he has two wrong legs on this issue than Congress has.

He is leaving Darren Chase's question unanswered and denying himself the stature of bold leadership that John Kennedy acquired when he said, "I think we should go to the moon." In years to come, he and the nation will see this as an opportunity lost.

The Washington Post.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

- 1893: Labor Party Power**
BRUSSELS — The promptness with which about 125,000 Belgian strikers returned to work on the issue of the Labor party manifesto allowing them to do so has excited great surprise. It shows the wonderful discipline of the party and that it is within the power of its leaders to cause a revolutionary outbreak whenever they wish. The Labor party, having thus become master of the situation, may seek to push its victory further and begin agitating for absolute universal suffrage.
- 1918: The German View**
BALE — Through the German spectacle Paris is having a very bad time at the hands of "Bertha." The *Kölnische Zeitung* says: "Although it is forbidden for all persons entering Switzerland from France to open their mouths concerning the bombardment of Paris, all reports are unanimous in stating that life has become practically impossible. Shells have damaged the centre of the city. Traffic is completely paralyzed. After a shell had fallen on the church of Saint-Eustache, the great glass hall of the Grand Hotel, Place de l'Opera, was reduced to splinters, while tanks in the rue Lafayette have been destroyed."
- 1943: Moonlight Assault**
ALLIED HEADQUARTERS IN NORTH AFRICA — From our New York edition: Veteran infantry troops of General Sir Bernard L. Montgomery's British 8th Army began an assault on the Axis Enfidaville line late last night (April 19) remaining the off way across North Africa from Egypt to northern Tunisia. The attack, which began in bright moonlight—a favorite tactic of Montgomery—was launched on the eve of Führer Adolf Hitler's fifty-fourth birthday, and marked the beginning of the last phase of the North African campaign. As usual, the 8th Army's move was preceded by a shattering artillery barrage.

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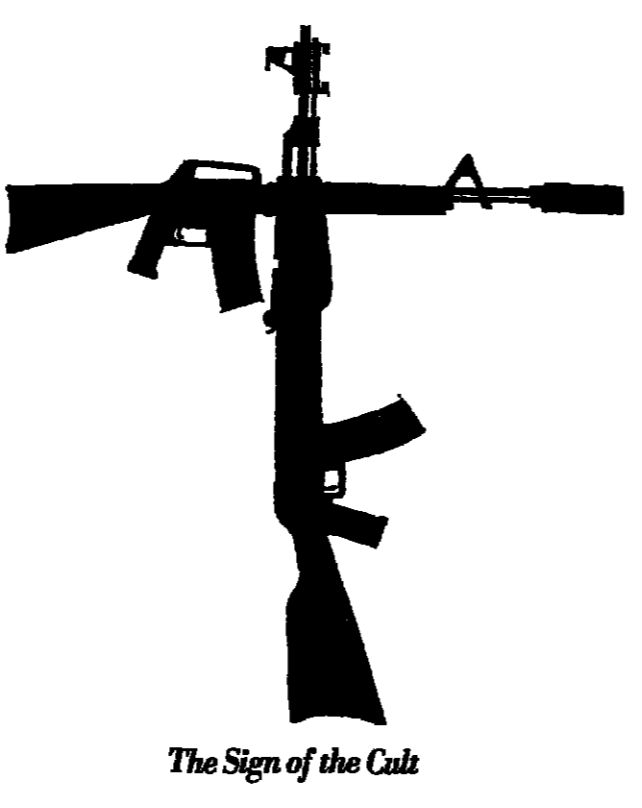
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The Sign of the Cross

OPINION

Back to My College for a Reunion, as It Turned Out

By A. M. Rosenthal

NEW YORK — This is a letter of thanks to about a dozen students, for bringing me together again with my college after a separation that I felt within me but about which I preferred not to speak.

I write it publicly because City College is important to generations of New Yorkers. It gave us the chance to grasp what we could never otherwise attain: life work that fulfilled our desires and our capacities.

ON MY MIND

The tuition then was free, which was only a little more than I could afford. Years later...

accepted, glossed over nor rationalized, not from white, not from black, not friend nor stranger, not anyone.

— and from jobs before and after class. When I talked with the students — all shades — for a time we did not mention religion or color. We talked of what they dreamed City would give them — not self-worth, because they had that, but a good job, a future that would grow as they did. I was hearing my young self, replayed.

The visit did not make me suddenly blind about anti-Semitism on any campus. Not likely: Jewish students around the country tell me they are harassed by followers of the Jeffrieses and the Louis Farrakhan.

LETTERS TO THE EDITOR

The Lie of 'Cleansing'

Given that the term "ethnic cleansing" is a euphemism convenient to those who are perpetrating mass murder, racial segregation and piracy in Bosnia, it is indefensible for anyone to use these acts to use the term unqualifiedly.

formers and turbine-generator sets that would be destroyed in attacks on the power system are irreplaceable in wartime.

How long will the world community hesitate in taking such concrete measures?

found to trivialize. One such is the cross, for 2,000 years the symbol of self-sacrifice, redemption, hope and an ethic of love and mercy.

the name and symbols of ancient Macedonia, an empire that ceased to exist in 168 B.C., when it became a Roman province? True, after World War II it was called the Republic of Macedonia within Yugoslavia.

Leave Them Powerless

Intervention in the Bosnian debacle need not be in the Vietnam mode or the Iraqi mode, and certainly not in the Dresden firestorm mode. U.S. intelligence satellites must have pinpointed major nodes of the electrical production and distribution network: transformer yards, power plants, dams.

Regarding the report "In Warsaw, a Grim Reminder" (April 9): This is indeed a grim reminder of Polish reality: Scores of bystanders spontaneously siding with skinheads shouting anti-Semitic slogans at the 50th anniversary of the Warsaw ghetto uprising.

For Arab Democracy A. M. Rosenthal's apparent concern for democracy in the Arab world ("When Will Arabs Revolt Against Cruelty at Home?" Opinion, April 14) is commendable. His expression of such sentiments would sound more credible if he were to call for an immediate lifting of Israel's oppressive occupation of Arab territories.

Less CIA, Not More Many American presidents have had an unhealthy addiction for the CIA, but with all of Bill Clinton's emphasis on domestic affairs, we now read that the "White House Wants Bigger '94 Intelligence Budget" (April 16), beyond the record \$20 billion of last year.

By Any Other Name By encouraging the establishment in the Balkans of another pseudo-nation, that of "Macedonia," which claims to have an oppressed minority that needs liberating in neighboring Greece, aren't Greece's allies setting the stage for future conflict in this historically unstable region?

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Addio Italia, Hello Real World

By Brandon Mitchener

MILAN — At the beginning of the century, doves of disenchanted Italians left Europe in pursuit of happiness in the New World. The phrase was "fare l'americana" — doing it the American way.

fulfillment, like Saul Bellow's "Henderson the Rain King," in far-flung, primitive paradises.

By the end of the booming 1980s, the notion of "cambiare via," or starting over in life, had been relegated to the tea talk of eccentrics. Italy was still, after all, the beloved and land of la dolce vita, no matter how corrupt its government.

Today, as Italy sinks deeper into a quicksand of kickback scandals that has shocked even the most cynical observers, the tables have again turned. Jumping ship is not only thinkable, it is downright in vogue.

The former Yugoslav republic that now searches for a name and identity should be strongly encouraged to choose something less divisive and provocative to its neighbor, and then to get on quickly with the truly important matter of running a modern and hopefully stable state.

CATHY HAINES, Marousi, Greece.

and driver's licenses have to be renewed every year. For a stiff fee, of course. Not to mention the Mafia...

Gente Money, a business magazine, led its March issue with the common man's answer to the circumstances: "Addio Italia! 10 Countries Where You Live Better."

So it was perhaps inevitable that the dump-Italy movement would get its own flagship: Gulliver, a thick, slick, handy new guide to starting over.

The magazine documents available options from the practical to the possible, and does it with a certain gallows humor that leaves the reader thinking how ridiculous the situation would be if it were not so serious.

Gulliver combines National Geographic-style pictures, fold-out diagrams and maps, and a global yellow-pages section to economic development services, specialty school admissions offices and adventure travel groups.

The first cover story, titled "Canada, Why Not?" describes Quebec, "the most Latin of North America's regions," as one of many places an Italian with a bit of money could start a new life. "To be received with a red carpet in Canada you don't need

a famous name or even to be a billionaire," just a little venture capital to buy the title of immigrant investor. A box describes the local real estate market, and illustrations depict three homes costing a fraction of what they would in Italy.

Other proposals: Join Britain's coast guard, the famous Royal National Lifeboat Institution, and become an everyday hero.

Lucia Grandoni, the editor in chief, insists that Gulliver's mission is not to give readers vicarious thrills but to communicate the ease with which they could leave Italy and start over.

"How many times," he wrote in the magazine's inaugural issue, "have you heard friends at the university or at work say, 'Italy constrains me. I want to go somewhere where there is a higher quality of life, better schools, better services, and above all better perspectives for the future?'"

Probably the cruelest joke played on desperate members of the new emigrant generation, meanwhile, is that the crash of the Italian economy — and currency — has made it almost impossible for ordinary citizens to contemplate leaving. Just as Gulliver dangles lucrative prospects before their eyes, the free-fall of the lira has rendered Croatia one of the few affordable places to take a vacation. Let alone start a new life. Gulliver itself, at 6,500 lire (about \$4) an issue, is an affordable down-payment.

International Herald Tribune.

BUSINESS OPPORTUNITIES

FOR SALE: CITRUS FACTORY IN WORMS, GERMANY. Procter & Gamble Europe offers for sale their Worms Germany fruit juices production, filling and packaging facilities, with a capacity of 1,000,000 hl/year.

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NYSE

Today's Closing
Tables include the nationwide closing up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

Stock	High	Low	Open	Close	Change
IBM	111.25	110.75	111.00	110.87	-0.13
AT&T	47.75	47.50	47.62	47.50	-0.12
Microsoft	54.75	54.50	54.62	54.50	-0.12
Oracle	54.75	54.50	54.62	54.50	-0.12
Intel	47.75	47.50	47.62	47.50	-0.12
Comcast	47.75	47.50	47.62	47.50	-0.12
Verizon	47.75	47.50	47.62	47.50	-0.12
WorldCom	47.75	47.50	47.62	47.50	-0.12
Qwest	47.75	47.50	47.62	47.50	-0.12
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AOL	47.75	47.50	47.62	47.50	-0.12

Slumping Sales Push IBM To a Loss of \$285 Million

Compiled in Our Staff From Dispatches

ARMONK, N.Y. — IBM said Tuesday it had a loss of \$285 million in the first quarter as revenue fell a stunning 7 percent, reflecting poor demand for its core products in slumping world markets.

But industry analysts said the results were in line with expectations, and that the benefits of International Business Machines Corp.'s recent restructuring were already becoming evident. The deficit was in marked contrast to IBM's profit of \$642 million before one-time gains of \$1.9 billion in the year-earlier quarter.

Revenue tumbled to \$13.1 billion, from \$14 billion in the 1992 quarter. IBM, which derives nearly two-thirds of its sales overseas, said revenue fell slightly in the United States and Asia while dropping 13.8 percent in Europe.

IBM's new chairman, Louis V. Gerstner Jr., installed last month as the first outside chief of the world's largest computer maker after it posted record losses last year, saw a mixed outlook for the company he was hired to turn around. "These results reflect weak demand and continued competitive pressures in many of our hardware product lines, particularly mainframe computers and large disk drives," he said. But he added that demand for the company's personal computers, workstations and service businesses remained strong.

IBM said its maintenance business sales were

off 5.1 percent to \$1.8 billion, but revenue from other services rose 48 percent to \$1.9 billion.

It said total hardware sales fell 19.4 percent to \$5.74 billion, while software revenue rose 1.1 percent to \$2.52 billion.

While mainframe sales fell significantly, IBM said it "took aggressive actions" to bolster competitiveness. The company unveiled 18 mainframe models and announced plans to introduce microprocessor-based systems later this year.

Analysts said that IBM's recent restructuring was finally starting to show some benefits, with lower operating costs.

"Cost controls were excellent," said Cliff Friedman, a Bear Stearns analyst. "That is the benefit of the restructuring."

IBM has cut about 80,000 jobs in the last two years, and plans to eliminate more than 25,000 jobs in 1993. The reductions have been achieved through voluntary buyouts and, as of last month, some layoffs.

IBM took more than \$11 billion in accounting charges last year to pay for the job reductions. The charges were largely to blame for an annual loss of nearly \$5 billion, but IBM's operations also slumped badly, with the company posting its first-ever loss from operations in the last three months of 1992. The annual loss was IBM's second in a row.

(Reuters, AP)

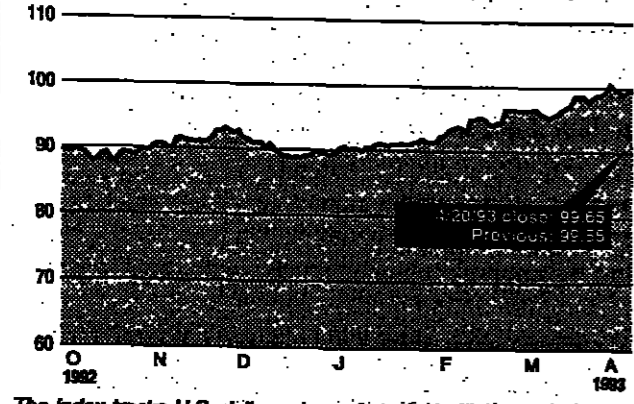
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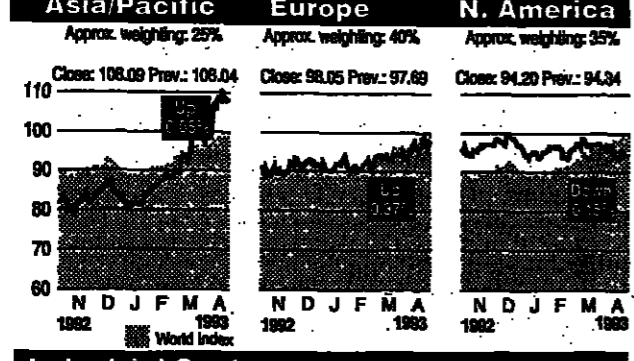
(Continued on p. 7)

THE TRIB INDEX: 99.65

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Asia/Pacific			Europe			N. America		
Close	Prev.	% Change	Close	Prev.	% Change	Close	Prev.	% Change
108.09	108.04	+0.05	98.05	97.89	+0.16	94.20	94.34	-0.14

Industrial Sectors		
Sector	Close	% Change
Energy	102.88	+0.92
Utilities	118.50	+0.58
Finance	99.52	+0.15
Services	110.54	+0.56

For readers desiring more information about the International Herald Tribune Stock Index, a booklet is available free of charge by writing to: Trib Index, 181 Avenue Charles de Gaulle, 92251 Neuilly Cedex, France.

U.S. Lifts Free-Trade Veil

Clinton's Japan Policy Stresses Results

By James Sterngold
New York Times Service

TOKYO — Combative American pronouncements on trade have hit the Japanese government like a series of earthquakes, leaving officials in Tokyo fuming over the insistent demands that Japan reduce its yawning trade surplus quickly.

Some have charged the U.S. administration has reversed years of America's commitment to free trade. But the real concern among trade specialists is not that the policy itself is new; it is the assertive new way President Bill Clinton is using old techniques of managed trade that were accepted when they were employed by his predecessors.

As one of its trade initiatives, Mr. Clinton's administration has pushed for the devaluation of the dollar against the yen. This is expected to reduce America's trade imbalance by making Japanese goods more expensive in the United States and American products cheaper in Japan.

The dollar has already plummeted in value against the yen and is trading at post-World War II lows.

American officials have also suggested that Japan set targets for the import of U.S. goods over a period of years and specific reductions in its surpluses.

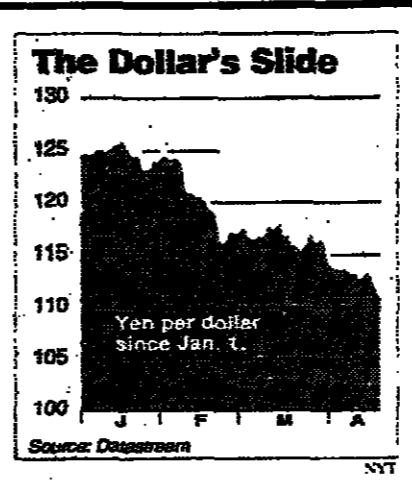
Mr. Clinton, Treasury Secretary Lloyd Bentsen and Secretary of State Warren M. Christopher have made it clear recently that any Japanese response will have to go beyond the sort of one-shot measures frequently accepted in the past. U.S. officials have insisted they also want the Japanese to purchase high-technology American goods, not just more agricultural products.

Government officials in Tokyo agree with the need to strengthen the yen — if more slowly than the current rate of increase. But just about every Japanese official from the prime minister down has insisted Japan would never agree to specific targets guaranteeing U.S. exporters a share of Japanese markets.

The key element of the Japanese defense has been to brand this "results-oriented" policy a form of managed trade, which violates free-trade principles.

The issue is, however, more complex than it appears.

Under Mr. Clinton's two immediate predecessors, Ronald Reagan and George Bush, the United States pledged fidelity to free trade. But although they eschewed any government controls in principle, they did in fact agree to managed-trade deals, saying they did so reluctantly. Mr. Clinton's administration, however, has unabashedly seized upon managed trade



as a tool to pry open the Japanese market to achieve lasting, fundamental change.

The Japanese expressions for these differences between rhetoric and reality are *taisho*, which is one's surface meaning, and *honne*, which is one's underlying intention.

"Clearly, the difference is that in the previous administration *taisho* and *honne* were different," said Makoto Kuroda, a former trade negotiator and now a managing director at Mitsubishi Corp. "Now the *honne* has come to the surface. Clinton is writing his policies on a line that already existed."

In fact, the United States has enforced

EC and U.S. Fail To Agree, Extend Talks for a Day

Compiled by Our Staff From Despatches

WASHINGTON — The European Community and the United States failed Tuesday to reach agreement in last-ditch talks over a trade dispute centering on public contracts, but said they would continue talking for one more day.

The U.S. trade representative, Mickey Kantor, and Sir Leon Britan, the top EC trade negotiator, told reporters after two days of talks that they would continue their discussions in a telephone conversation on Wednesday, when Sir Leon returns to Brussels.

"We have not reached agreement," Mr. Kantor said.

"It would be wrong to assume it's just a case of finishing touches," Sir Leon said.

The problem stems from the EC's Utilities Directive, which requires EC governments to accept European bids on contracts even if they are as much as 3 percent higher than bids from foreign companies. Europeans counter that their companies face worse barriers in the United States.

In retaliation, the United States threatened to ban EC companies from bidding on public contracts in the United States. The ban, originally to take effect late last month, was postponed because of this week's negotiations.

Mr. Kantor said sanctions would go ahead as scheduled on Thursday unless both sides bridged their differences over foreign access to government contracts.

"It's going to require another conversation if we're going to reach agreement but we may not do so," Mr. Kantor said. "We have some elements of agreement and some elements of disagreement."

As for sanctions, Mr. Kantor said: "We will make that decision based upon what happens tomorrow," when Sir Leon will speak to Mr. Kantor by phone from Brussels.

The dollar amounts involved in the disputes are relatively small but the disagreement has underlined European concerns that the administration of President Bill Clinton will take an aggressive stance in defending its trade interests.

European Community officials, in turn, have warned Washington they will not be bullied into submission and have counter-strikes of their own ready to launch. They would not say what form retaliation might take.

Failure to reach a compromise in the dispute raises the specter of a dangerous trade war at a time when more commerce could help counter the global economic slowdown.

Sir Leon and Mr. Kantor said their talks made further progress on issues that are hampering conclusion of the talks under the General Agreement on Tariffs and Trade.

"We have added real momentum to the Uruguay Round" of talks, Sir Leon said.

"There is always going to be a certain small percentage of disputes" between the United States and the Community, Mr. Kantor said. "That should not affect the larger questions we have, such as the Uruguay Round."

Sir Leon agreed. The conflicts between the United States and the EC "pale into insignificance compared to the opportunities provided to them by the GATT's Uruguay Round," he said.

However, he was not as confident that other European nations would be accommodating in the face of U.S. sanctions.

(Knight-Ridder, Reuters, Bloomberg)

Citicorp Awakens From Moribund State

By Lawrence Malkin
International Herald Tribune

NEW YORK — Declared virtually dead two years ago, Citicorp on Tuesday pronounced itself on the way to recovery and a return to competition as a global bank, virtually the only big American bank still fighting for a share of the international market.

"Our competitors have pulled back, and we have maintained our presence around the world," said Chairman John S. Reed in announcing an increase in first-quarter earnings and an improvement in U.S. commercial real estate, confirming the pattern that has been set by the American banking industry in quarterly reports during the past week.

Citicorp, the largest U.S. banking company measured by assets, reported operating earnings of \$370 million for the first quarter, approximately double last year's first-quarter profit. Net income per share was \$1.24, compared with 34 cents a year ago, and the money went not to stockholders — the bank has halted its dividends — but to continue rebuilding the bank's capital. Earnings were increased an additional \$200 million by a one-time recalculation of income taxes applying to all banks.

Commercial real estate losses — the difference between profit and loss in Citicorp's home territory of North America — also were more than halved, to \$202 million from \$462 million. Citicorp disclosed that this year it sold \$125 million in foreclosed real estate, recouping 67 cents on the dollar from the properties' original value.

By comparison, Chase Manhattan Corp. on Monday said it was setting aside \$2 billion to write off its bad real estate loans and expected to receive only 39 cents on the dollar by dumping the foreclosed buildings onto a weak market.

Improved first-quarter earnings were also announced Tuesday by other major banks. The earnings of Chemical Bank, rose to \$1.35 a share from \$1.00 last year, and Banc One of Ohio, one of the so-called super-regionals stretching across the Midwest, increased earnings per share to \$1.03 from 64 cents.

Banks like these have adopted a different strategy from Citicorp's in focusing on domestic expansion as the strong merged with the weak and hope for looser controls over international banking should Congress overhaul U.S. financial laws.

"The others are exploring consolidation in the United States," said James McDermott of Keefe, Bruyette & Woods, a firm specializing in analyzing bank stocks. "Citibank wants to fight for

MEDIA MARKETS

The Last Word in Video Is Soon to Be the Viewer's

By Richard Covington
Special to the Herald Tribune

CANNES — If the prophets of interactive television have their way, viewers around the world will soon be getting the long-awaited opportunity to talk back to the tube. Already you can manipulate the story line of a soap opera, pick what level of exercise class you want, or play along with game shows like "Wheel of Fortune" and "Jeopardy."

Interactive video, the latest buzz trend of this week's MIP-TV global television market in Cannes, promises to become a \$6 billion business in 10 years, when an estimated 25 million users will be wired for participation.

"The public is getting the mistaken impression that interactive television is something that's five years away," complained Jack Galmiche, chief executive officer of Interactive Systems, an Oregon company. "But this is totally wrong. It's here now."

On Spain's TVE public broadcast station, for instance, 100,000 households have hooked up since January to Interactive Systems' Telepick service, enabling them to participate in quiz shows, phone in for redeemable coupons, catch up on soap operas they missed, or engage in heated arguments with other participants on a talk show.

The Benelux countries go on line in April; Germany, Switzerland, and Scandinavia are scheduled for hook-up by the end of the year, with the United States, Australia and New Zealand to be added in 1994. To pick up the service, viewers make a one-time purchase of a \$250 box that deciphers an encoded signal.

Telepick has caught the imagination of the Nielsen ratings service, which is measuring the exact participation of viewers via the box. "Through this system, we can tell advertisers not simply how many were watching a particular program, but how many picked up the phone and ordered coupons," explained Kenneth Berkelee, an executive of Interactive Systems.

Every company puts its own spin on the theme. What passes for interactive TV can be little more than quicker channel access; or it can mean state-of-the-art technology that virtually allows the viewer to dive into the screen.

Where Telepick enables viewers to interact with existing broadcast — See INTERACT, Page 11

Waigel to Attali: Time to Cut Costs

By Richard Covington
Special to the Herald Tribune

BONN — The European Bank for Reconstruction and Development has agreed to tighten control over its finances after criticism of its lavish spending on itself, Finance Minister Theo Waigel of Germany said Tuesday.

Mr. Waigel, the current chairman of the London-based bank's board of governors, gave a lecture to Jacques Attali, the bank's president, on the need to control costs and said the bank's image had been damaged.

But he also said after their meeting in Bonn that some of the press criticism of the bank's spending on staff and headquarters had been unjustified and that a final verdict on its behavior would have to await reports by internal and external auditors.

A statement from the German ministry said the bank's directors had agreed Monday to improve transparency and the control functions of the directors and to launch a review of spending by the bank's audit committee in which external auditors would participate.

"I am satisfied that there will be greater transparency and that the directorate and external bodies will get involved," Mr. Waigel told reporters. Mr. Attali declined to comment after the meeting.

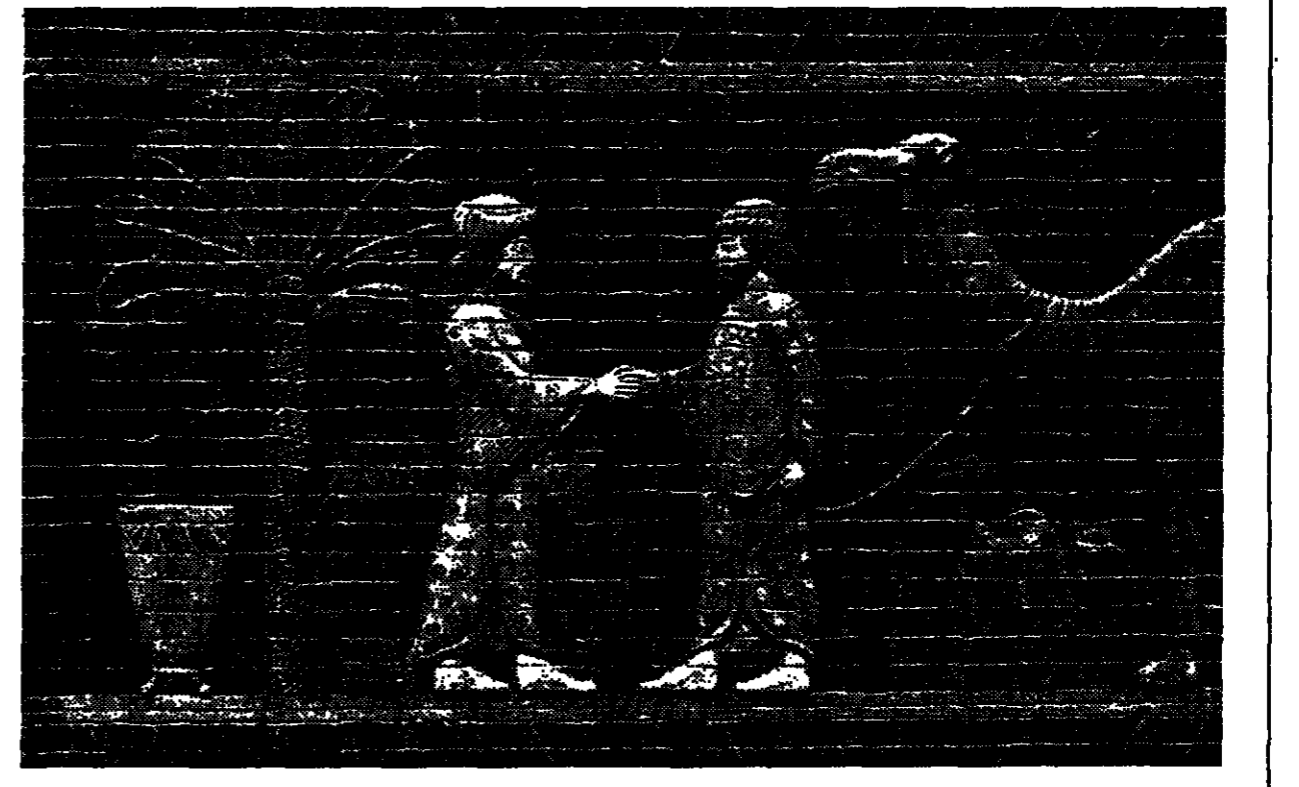
It was reported last week that the bank had given \$101 million (\$155 million) in investment capital and loans to the former communist countries of Eastern Europe since it was set up in 1991, but spent twice as much on its own running costs and headquarters. Lavish spending on marble for the entrance hall of its headquarters, its staff Christmas party and the use of private jets were singled out.

"President Attali gave assurances that he supported without reservation the decision of the executive directorate, that all necessary information would be made available and that he would do everything to ensure the implementation of the agreed measures and work towards cost-conscious spending by the bank," the Finance Ministry's statement added.

Mr. Waigel defended the bank against some of the attacks. "I consider the criticism of the start-up costs and what the bank has set in motion so far to be unjustified," he said.

"The core was agreement," said the Finance Ministry's statement, that the bank "has achieved a remarkably fast expansion of its activities despite rapidly changing political and economic conditions."

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CURRENCY & INTEREST RATES

April 20									
Cross Rates					Eurocurrency Deposits				
Currency	Rate	Unit	Rate	Unit	1-month	3-month	6-month	9-month	12-month
Australian	1.785	A\$	1.325	DM	3 1/8	3 1/8	3 1/8	3 1/8	3 1/8
British	1.785	£	1.325	DM	3 1/8	3 1/8	3 1/8	3 1/8	3 1/8
Canadian	1.315	C\$	1.325	DM	3 1/8	3 1/8	3 1/8	3 1/8	3 1/8
French	164.00	F	1.325	DM	3 1/8	3 1/8	3 1/8	3 1/8	3 1/8
German	1.325	DM	1.325	DM	3 1/8	3 1/8	3 1/8	3 1/8	3 1/8
Italian	164.00	Lira	1.325	DM	3 1/8	3 1/8	3 1/8	3 1/8	3 1/8
Japanese	148.00	¥	1.325	DM	3 1/8	3 1/8	3 1/8	3 1/8	3 1/8
Swiss	1.325	Sfr	1.325	DM	3 1/8	3 1/8	3 1/8	3 1/8	3 1/8
US Dollar	1.325	\$	1.325	DM	3 1/8	3 1/8	3 1/8	3 1/8	3 1/8

Key Money Rates			
Country	Rate	Unit	Rate
US Prime	5.00	%	5.00
US Fed Funds	4.00	%	4.00
US Treasury	3.50	%	3.50
UK Prime	7.50	%	7.50
UK Treasury	6.00	%	6.00
FR Prime	5.50	%	5.50
FR Treasury	4.50	%	4.50
DE Prime	4.50	%	4.50
DE Treasury	3.50	%	3.50
JP Prime	5.50	%	5.50
JP Treasury	4.50	%	4.50

April 21, 1993

MARKET DIARY

Economy Weighs On Stock Market

NEW YORK — Wall Street stocks dropped for the second straight day on Tuesday as investors scaled back optimism about corporate earnings and economic growth. The Dow Jones industrial average lost 23.50 points, to 3,443.49. The blue-chip indicator has fallen from the record 3,478.61 set on Friday.

N.Y. Stocks

The record 3,478.61 set on Friday. Declining issues on the New York Stock Exchange outnumbered advancing issues by a 2-to-1 ratio. Bank and airline issues suffered sharp falls. The financial-services sector was reacting to a rise in interest rates, while fears of an air fare price war depressed the Dow transportation average by a sharp 22.16 points, to 1,643.01.

On the earnings front, traders pointed out that although the bulk of first-quarter profit reports had been satisfactory, many of those that had disappointed, causing an analysis to lower expectations, have become disastrous.

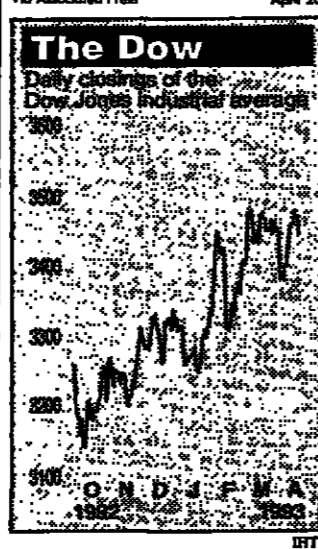
Moreover, companies showing earnings shortfalls have generally been sold more readily than those reporting better-than-expected results have been bought, traders said. Disappointing news from such leading companies as Philip Morris, Chemical Waste Management and

Kmart convinced many investors to cash in on recent gains.

The 30-year Treasury bond fell 9/32 point, to 104 26/32. That sent its yield up to 6.75 percent, which has been acting as a magnet for the bond's rate of return in recent days, from 6.72 percent on Monday. Short-term securities seem unlikely to rally without an interest-rate cut by the Federal Reserve Board.

A government report that housing starts fell a larger-than-expected 4.6 percent in March was discounted in the bond market as weather-related. TIG Holdings, a TransAmerica subsidiary, was the most-active issue on the New York Stock Exchange, rising to 24 1/2 from its 22 1/2 initial public offering price.

Intel led the over-the-counter actives, up 3/4 to 101. It had fallen in response to a court ruling that allowed the rival Advanced Micro Devices to begin selling a copy of Intel's most popular computer chip. Dean Witter Reynolds said Monday the fall was overdue. AMD led 3/4 to 27 1/2 on the New York Stock Exchange. (AP, Bloomberg, UPI, Knight-Ridder)



NYSE Most Actives

Table listing NYSE Most Active stocks including TIG Holdings, Intel, AMD, and others with their respective volume and price changes.

AMEX Most Actives

Table listing AMEX Most Active stocks including Reynolds, Intel, and others with their respective volume and price changes.

NYSE Diary

Table listing NYSE Diary entries including Advanced Declined, Total Issues, and New Highs.

AMEX Diary

Table listing AMEX Diary entries including Advanced Declined, Total Issues, and New Highs.

NASDAQ Diary

Table listing NASDAQ Diary entries including Advanced Declined, Total Issues, and New Highs.

Dow Jones Averages

Table showing Dow Jones Averages for Industrial, Utility, and Composite sectors.

Standard & Poor's Indexes

Table showing Standard & Poor's Indexes for Industrial, Utility, and Composite sectors.

NYSE Indexes

Table showing NYSE Indexes for Composite, Industrial, and Utility sectors.

NASDAQ Indexes

Table showing NASDAQ Indexes for Composite, Industrial, and Utility sectors.

AMEX Stock Index

Table showing AMEX Stock Index for Industrial and Utility sectors.

Dow Jones Bond Averages

Table showing Dow Jones Bond Averages for 20 Bonds, 10 Utilities, and 10 Industrials.

Market Sales

Table showing Market Sales for NYSE, AMEX, and NASDAQ.

N.Y.S.E. Odd-Lot Trading

Table showing N.Y.S.E. Odd-Lot Trading for various stocks.

S&P 100 Index Options

Table showing S&P 100 Index Options for various strikes and expirations.

EUROPEAN FUTURES

Table showing European Futures for Food and Industrial sectors.

COCCA (FOOD)

Table showing COCCA (FOOD) futures prices.

COFFEES (FYOD)

Table showing COFFEES (FYOD) futures prices.

WHITE SUGAR (SUGR)

Table showing WHITE SUGAR (SUGR) futures prices.

Metals

Table showing Metals futures prices for Aluminum and Zinc.

3-MONTH STRIPS (LIFFE)

Table showing 3-MONTH STRIPS (LIFFE) futures prices.

3-MONTH EURODOLLARS (LIFFE)

Table showing 3-MONTH EURODOLLARS (LIFFE) futures prices.

3-MONTH EUROSTAMPS (LIFFE)

Table showing 3-MONTH EUROSTAMPS (LIFFE) futures prices.

LONG GILT (LIFFE)

Table showing LONG GILT (LIFFE) futures prices.

Industrials

Table showing Industrials futures prices for various sectors.

Stock Indexes

Table showing Stock Indexes for NYSE, AMEX, and NASDAQ.

Spot Commodities

Table showing Spot Commodities prices for various goods.

Dividends

Table showing Dividends for various companies.

YEN: Tokyo Unnerved by Surge

(Continued from page 1) index fell a moderate 283.91 points to 19,828.43. That appeared to be the source of the alarm in the government.

Prime Minister Kiichi Miyazawa tried to sound an aggressive note when he commented to reporters Tuesday that "it's time to intervene" in the market by having the central bank sell yen and buy dollars. He said that the yen's rise had been "too rapid."

Yasushi Mieno, governor of the Bank of Japan, warned in a speech resort to about the only tool they have at the moment: verbal assaults on the foreign exchange market.

Mr. Miyazawa and Mr. Mieno were apparently attempting to do that with their comments, particularly Mr. Mieno, who also sought to influence traders by offering his own analysis of what President Clinton meant by his remark on Friday.

Concern about the U.S. administration's intentions spilled over into Deutsche mark trading, pushing the dollar as low as 1.5838 DM, Bloomberg Business News reported from New York. The currency closed at 1.5962 DM, down from 1.5982 DM on Monday.

"It looks like Clinton is comfortable with a weaker dollar across the board," said Carl Amendola of Bayerische Hypothek- & Wechsel-Bank in New York. A larger-than-expected decline in U.S. housing starts fueled the dollar's slump against the mark, traders said. The U.S. currency recovered somewhat after investors reassessed the drop, most of which was caused by late winter storms.

The pound rose to \$1.5475, from \$1.5418 on Monday. The dollar slipped to 5.3925 French francs, from 5.3980 francs, and weakened to 1.4600 Swiss francs, from 1.4670 francs, and forced them to

Bentsen Cites Tax Savings

WASHINGTON — Treasury Secretary Lloyd Bentsen said a U.S. administration plan to tax energy "will produce over \$72 billion in revenue" in the four years to 1998. The tax will produce more than \$22 billion in 1997, the first year it is fully phased in, he said.

The energy tax alone accounts for one-fifth of the total net deficit reduction in President Bill Clinton's plan, he said in testimony prepared for the Senate Finance Committee. "The deficit-reduction impact of the energy tax should reduce interest rates and thus capital costs," Mr. Bentsen said. Even with the energy tax in place, U.S. energy costs would be the lowest among the Group of Seven countries, he added.

WORLD STOCK MARKETS

Large table showing World Stock Markets with columns for City, Stock Index, and Price Change. Includes sections for Amsterdam, Hong Kong, Brussels, Frankfurt, London, Johannesburg, Sao Paulo, Singapore, Zurich, Toronto, and Montreal.

U.S. FUTURES

Grains

Table showing U.S. Futures Grains prices for Wheat, Corn, and Soybeans.

Metals

Table showing U.S. Futures Metals prices for Silver, Gold, and Copper.

Livestock

Table showing U.S. Futures Livestock prices for Cattle and Hogs.

Financial

Table showing U.S. Futures Financial prices for Treasury Bonds and Treasury Bills.

Food

Table showing U.S. Futures Food prices for Coffee, Sugar, and Cocoa.

Grains

Table showing U.S. Futures Grains prices for Wheat, Corn, and Soybeans.

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Table showing U.S. Futures Financial prices for Treasury Bonds and Treasury Bills.

Food

Table showing U.S. Futures Food prices for Coffee, Sugar, and Cocoa.

Sears Posts Record \$435 Million Net

CHICAGO (AP) — Sears, Roebuck & Co. reported Tuesday its best first-quarter results ever, a \$435 million profit due in part to cost cuts in its retailing division.

The profit compared with a loss of \$1.6 billion in the first quarter of 1992. Year-ago results were adversely affected by a \$1.9 billion charge from an accounting change. Excluding that item, earnings for the first quarter of 1992 totaled \$274.2 million. Sears said sales fell nearly 5 percent, to \$11.3 billion from \$11.9 billion.

Avnet to Buy Hall-Mark Electronics

GREAT NECK, New York (Bloomberg) — Avnet Inc., the largest U.S. distributor of electronic components, said Tuesday that it planned to acquire the third-largest distributor, Hall-Mark Electronics Corp., for about \$485 million in cash and stock.

One share of Hall-Mark common stock will be exchanged for \$20 in cash and 45 percent of an Avnet share. Based on Avnet's closing price Monday of \$30.75, each share of Hall-Mark would be valued at \$33.84, Avnet said.

Housing Starts Fell 4.6% in March

WASHINGTON (Bloomberg) — New U.S. housing construction declined 4.6 percent in March, disrupted by violent winter storms, government figures showed on Tuesday.

March's annual rate of 1.134 million starts followed a revised 1.5 percent increase in February to 1.189 million, the Commerce Department said. It was earlier reported as a 2.5 percent decrease. Building permits, a measure of future construction, declined 8.8 percent in March.

"The weather is becoming rather odd but until we get through the March statistics it takes priority in explaining the data," said a report by a Faine Webber economist, Jerry Zukowski.

SmithKline Boosts Earnings 14%

PHILADELPHIA (AP) — SmithKline Beecham PLC, the British-based pharmaceutical company, said Tuesday that net income had risen 14 percent in the first quarter, though exchange rates took their toll on the results when translated into dollars.

For the period ended March 31, profits totaled £200 million, or \$298 million. That was up from £176 million a year ago, but exchange rates at that time translated the profit to \$311 million.

Tagamet, an ulcer medicine, continued its expected decline in the face of generic competition. Sales fell 23 percent, against an unusually strong first quarter in 1992.

USAir Loss Shrinks, but Sales Flat

NEW YORK (UPI) — USAir Group said Tuesday it had narrowed the gap between income and expenditure during the first quarter but ended the quarter with a loss of \$61 million, compared with a loss of \$110.2 million a year earlier.

Revenue was flat at \$1.7 billion. From an operating perspective, results were brighter, with the airline's parent posting an operating profit of \$2 million for the first quarter, compared with a year-earlier loss.

Philip Morris Profit Increases 11%

NEW YORK (Reuters) — Philip Morris Cos. reported Tuesday a 10.8 percent increase in first-quarter profit and said the previously predicted decline of as much as 40 percent in 1993 U.S. tobacco operating earnings would affect consolidated earnings by a smaller percentage.

Revenue rose 8.1 percent to \$1.5 billion. Philip Morris said operating income from worldwide tobacco operations rose 5.8 percent, to \$1.7 billion, while cigarette volume increased 10.1 percent, to 165 billion units. Income for the food business advanced 13.5 percent to \$368 million.

NASDAQ

Table showing NASDAQ stock market data for various companies and indices.

U.S., U.K. Weigh New Air Accord

By Richard W. Stevenson
New York Times Service
LONDON — The United States and Britain said that they would begin negotiating a new agreement next month to give their airlines greater access to each other's markets.

The U.S. transportation secretary, Federico F. Peña, met in London Monday with the British transport minister, John MacGregor, and said afterward that he was encouraged by Britain's attitude toward resolving the impasse that led to the failure of similar negotiations during the administration of former President George Bush.

The United States, prodded by its biggest airlines, has been pushing for greater access to destinations in Britain, particularly to Heathrow Airport in London. Britain wants greater access to the United States, but is also seeking changes that would allow British Airways to increase its ownership stake in the USAir Group.

"Both governments want to see vigorous but fair competition, offering the public an even wider choice of airlines, routes and fares," the nations said in a statement issued in London.

Mr. Peña last month approved a plan by British Airways to acquire 19.9 percent of USAir for \$300 million. But he said then that approval for British Air to increase its stake to 44 percent would depend on Britain's willingness to liberalize the aviation agreement.

EC Trade Signals Upset East Leaders Question Openness of Markets

Bloomberg Business News
PRAGUE — In Eastern Europe, patience with the European Community is wearing thin, rising signs of protectionism. Leaders of Poland, Hungary and the Czech Republic — the former Communist countries — are angry about the Community's decision this month to ban livestock, meat and dairy products from East European countries.

"We are witnessing a long-term problem about the openness of Western markets to our products," the Czech prime minister, Václav Klaus, said at a press conference last week. "These are the first and not the only products to be affected."

In interviews in all three capitals, officials said the still-unresolved trade dispute demonstrated how little progress has been made since West-East relations since the fall of Communism in 1989, and how ambiguous the countries' future with the Community remain.

What the East European countries so unsettling is that this is only the latest in a series of trade disputes, and more seem likely.

"It's really now a string of problems we have had with the EC," said Miroslav Štáhl, the Czech Republic's acting deputy trade minister. "It's definitely not some negligible affair. This has got much worse in a few months."

Last year, the Community set quotas on imports of certain steel products from Eastern Europe and now is considering extending them. It has also imposed limits on textile imports. These measures come even as stores in the former Eastern bloc overflow with newly imported clothes, food and other products from the West.

All three countries have spent the last three years reorienting their exports away from the former Soviet Union to markets in the West. They said they saw free trade with the EC and quick Community membership as the best prospect for long-term stability in their economies.

Yet EC leaders have sent mixed signals on how to achieve that, Eastern Europeans feel. "We're a little bit afraid," said Gabor Szucs, director of the secretariat at the Hungarian Ministry of International Economic Relations. "The road we're going on isn't clear."

European financing officials said, was the EC's failure to recognize that the countries of Eastern Europe no longer form a single trading bloc but are separate nations pursuing independent policies. Each wants its own distinct relationship with the Community.

EC Central Bankers Cite Service Sector For Inflation Fears

By Carl Gewirtz
International Herald Tribune

BASEL — European Community central bankers said Tuesday that monetary policies should not be shifted from fighting inflation to trying to boost economic growth.

A committee of EC officials defended their concern about inflation by noting that prices for services are rising almost three times as fast as those for goods in Denmark, France and Italy. In Belgium, Britain, Germany and Spain the increase is almost twice as fast.

The panel was presenting its annual report at the Bank for International Settlements, which acts as a central bank for central bankers.

Rather than risk a premature easing of monetary conditions to boost economic activity, the central bankers said, there is an urgent need to improve the mix between fiscal and monetary policies.

Nevertheless, Wim Duisenberg, head of the Dutch central bank, said he saw "a gradual reduction in interest rates in Europe all across the board." He refused to speculate on the size of the expected reductions.

He also said central bankers looked at the operations of the European Monetary System "through a magnifying glass" and had not found major fault lines. "There's no need to change the rules, but to adhere to them and apply them."

Mr. Duisenberg said the troubled period between September and early February was "an example of a major realignment which we should have done in one weekend in Brussels but instead took six months. That should never happen again."

The span saw several devaluations among EMS currencies and removal of the pound and lira from the system's exchange-rate mechanism.

It took so long, he added, "because of political difficulties. To the extent that existing exchange rates become more of a symbol of political prestige — to that extent it is more difficult to change them when it becomes necessary."

As a result of that prolonged currency crisis, Mr. Duisenberg said EC central bank governors would in addition to their regular monthly meetings get together "from time to time, in a very restricted forum, to discuss sustainability of existing policies." But, he added, the decision to sustain the foreign-exchange rates "is in the hands of governments."

Mr. Duisenberg said central bankers worried that increasing budget deficits were not due only to the low tax revenue and high social spending caused by recession. "Our fear is that there is also a structural deterioration in many countries."

The report did not single out any country, but it made clear Germany's budget deficit following unification was the major destabilizer.

The report exonerated the Bundesbank of charges that it failed to live up to its commitment to support sterling and the lira when those currencies came under attack. The German central bank is reported to have spent 50 billion Deutsche marks (\$30.96 billion) in intervention supporting those currencies.

Investor's Europe

Table with columns for Frankfurt DAX, London FTSE 100 Index, Paris CAC 40, and various stock indices with their respective values and changes.

Sources: Reuters, AFP International Herald Tribune

Very briefly:

- France's finance minister, Edmond Alphandery, said that a monetary policy council "with full independence" would be in charge of monetary policy as part of a changed statute for the Bank of France.
• UAP, the French government-owned insurance concern, said its consolidated net profit had plunged by 71 percent last year, to 1.08 billion francs (\$201 million dollars), after 3.7 billion francs in 1991.
• Belgium has enacted a law guaranteeing the independence of its central bank and preventing the Treasury borrowing from the bank.
• Britain had a record public-sector borrowing requirement of £9.52 billion (\$14.8 billion) in March, after a revised figure of £5.38 billion in February, the Central Statistical Office said.
• France's industrial production index, excluding construction and public works, rose 2.5 percent in February from January but was down 2.4 percent from a year earlier, the national statistics office, INSEE, said.

London Exchange at the Crossroads

Reuters

LONDON — The London Stock Exchange will take a fundamental look at its future when its bosses meet Thursday, five weeks after the demise of Taurus, the share-transfer system that was to be a flagship to take it into the 21st century.

The exchange will be left hard at the services it provide in the aftermath of Taurus, hopes to meet its main role of trading savings into long-term capital

market-makers stand as go-betweens, quoting prices and trading from their own share inventories. The exchange remains committed to market-making but recognizes that alternatives may enhance liquidity.

Taurus was abandoned after the costs of the system spiraled to £400 million (\$615 million).

The Bank of England has now taken over planning for a replacement for Taurus.

industry," a securities industry source said. Taurus had been aimed at competing with the present paper share-transfer and settlement system.

Debate will center on whether an order-driven trading system, typical of systems used on the European continent, should be developed alongside the market-maker method long used in Britain.

In the continental system, buyers and sellers are matched automatically, whereas in the British model,

BANK: Citicorp Comes to Lifand Looks Overseas

(Continued from first finance page)

Chase Manhattan has cut its retail branches and concentrated on wholesale centers in major capitals. Bank of America has slashed its overseas interests. The super-regionals, now the most profitable and growth-oriented American banks, mostly lack international sophistication and overseas representation, and in any case are concentrating on growth in the U.S. heartland.

By contrast, Citicorp does not even break out its earnings in the United States — they would probably show losses now if they were separated — and makes most of its money abroad. U.S. income is lumped together with Europe and Japan, and that totaled \$410 million in the first quarter, plus \$263 million from developing countries such as Brazil, Mexico, and East Asia where Citicorp has a heavy retail network.

Mr. McDermott, the bank analyst, said Citicorp was "in the throes of a major turnaround" as it liquidates the real estate divisions of the 1980s, and that Mr. Reed,

million-dollar of failed chiefs who have been bought from major American corporations, would probably pull through with his bank.

Lesser Citicorp had core earnings of \$5.5 billion by Mr. Dermott's reckoning and loan losses of \$4.4 billion banks that are stabilizing, he said, that ratio is as low as 20 percent instead of Cit's 80 percent "but we don't think there are any more skeletons in the closet."

But, he said, although most American banks seek to be over the hump, they may reach the limits of improvement this year for three reasons. Loan losses are good because the Federal Reserve Board kept the cost of banks' funds cheap, and that is likely to continue as the U.S. economy improves. Banks also have fewer bad loans but are under pressure from the government to lead more to small and some riskier business. Finally, banks have grown more solvent and may be unable to make further productivity improvements.

INTERACT: Television Viewers Get the Last Word

(Continued from first finance page)

cast programs, Philips Electronics NV's Compact Disc-Interactive System creates new programs with full-motion video, generating the illusion more of a three-dimensional theater than Sega or Nintendo-style cartridge video games.

"CD-I is not a video game," said Jean-Pierre Izbout, director of Philips Interactive Media International. "We use live actors and studio production values, and our shows are aimed at adults as well as children." With the demonstration disk of a production called "Voyeur," for example, the viewer sees an apartment block on the screen and uses a thumbstick to pick and choose various windows and to plunge into the middle of different plot lines.

All of this does not come cheap. To the consumer, CD-I is a much more expensive proposition than Teletext, requiring a separate player that sells for around 4,000 francs in France (around \$700 in the

United States) and disks that run around 350-400 francs.

Your Choice TV, the Discovery Channel's entry into the interactive-video sweetstakes, takes the basic approach that more program access means more revenue. By taking advantage of the latest revolution in cable, the digital compression of 500 channels onto a cable delivery network, Your Choice essentially offers video-on-demand. Its movies would be available every 15 minutes for a 48-hour period, prime-time programs whenever you want for around \$1 a view, plus magazines, home shopping, games and documentaries.

The service will be field-tested this fall in 50,000 to 100,000 U.S. households and is slated for the market next January. Like all the interactive systems, Your Choice requires a new box attached to the TV, a \$250-\$300 gadget whose cost would be folded into cable fees.

COMPANY RESULTS

Table with columns for various companies (Primerica, Travelers Corp., United States, etc.) and their financial results for 1992 and 1993.

NASDAQ

Tuesday's Prices
NASDAQ prices as of 4 p.m. New York time. This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

Main NASDAQ table with multiple columns for stock symbols, prices, and other financial data.

Slump Dims Lights of Akihabara

TOKYO—The world's most famous electronic town is trying to rewire itself. A gadget mecca since the 1960s, Tokyo's Akihabara district glazes with neon and bright signs that beckon from shops piled high with boom boxes and air-conditioners. Teams of svelte young women dressed in space suits jabber promotional slogans in squeaky voices, while others in miniskirts sing along to karaoke machines, trying to catch passers-by into their shops.

But business is bad. An economic slump in Japan and the lack of new products have cut sales, forcing the agile entrepreneurs of Akihabara to search for new ways to maintain the district's allure.

Instead of signs for Panasonic, Sony and Sanyo, one prominent building in the district's main street now displays a huge picture of Sonic the Hedgehog, a video-game hero. Many home-electronics shops are deserted by all but their salesmen, who stand idle in front of banks of screens and stereos.

But in Sega Hi-Tech Land, groups of workers take a break from the office to crowd round computer games and bet on miniature horse races.

The Japanese have had enough of buying gadgets just for the sake of it, explained Masaru Takahashi, president of Shinko Corp., a co-owner of the venture. They want to have fun in other ways.

Last year he decided it was time to clear out the hi-fi and video recorders and got Sega Enterprises Ltd. to fill the store with computer games. "People don't find hardware attractive any more," he said.

Part of the problem is a lack of exciting new products. Attention was once held by a flood of innovations as black-and-white TV was followed by stereo hi-fi and later color TV, video recorders, CD players and camcorders. But now, while gamers of interest are provided by items such as Sony's new mini-disk music system, the waves of new products that drove the industry until the end of the 1980s have dried up.

"The Japanese used to work to buy consumer electronics," Mr. Takahashi said. "People yearned for the kind of lifestyle that came with fridges and TVs. These had the limelight in postwar Japan."

Another reason the industry has been so badly hit is Japan's ailing economy. When consumers tighten their purse strings, luxuries are the first things they cross off their shopping lists.

The Japanese spend about 6 trillion yen (\$4 billion) a year on consumer electronics, 5 percent of it in Akihabara. But the district's home-electronics sales fell 7 percent in 1992, with audio and video sales dipping 15 percent.

Iwao Yamashita, director of the retailer Nakamura and spokesman for the Akihabara Electric Shops Development Association, said the number of customers in Akihabara's stores had not fallen. About 110,000 people shop in the district each weekday and 350,000 at weekends.

Telegraph Can Take 25% Fairfax Stake

CANBERRA—Australia's treasurer, John Dawkins, approved Tuesday an application by The Telegraph PLC, controlled by the Canadian publishing magnate Conrad Black, to boost its stake in the Australian newspaper group John Fairfax Holdings to 25 percent.

The decision opens the door for greater foreign investment in Australian media, analysts said.

"The government has determined that a single foreign investor can have a shareholding of up to 25 percent, and unrelated foreign interests can have shareholdings of up to 5 percent," Mr. Dawkins said.

The controversial and far-reaching decision, taken at a cabinet meeting, overrides the government's previous 20 percent limit on

foreign voting equity. The changes relate only to foreign investment in mass-circulation newspapers.

The Telegraph owns 14.9 percent of Fairfax — which publishes the Sydney Morning Herald, the Australian Financial Review and Melbourne's The Age — while the U.S.-based investment group Hellman & Friedman owns a further 5 percent.

Mr. Dawkins said the government had agreed that Hellman & Friedman may retain its share, lifting total foreign ownership in the newspaper group to 30 percent.

A consortium led by Mr. Black purchased Fairfax from receivers in late 1991, amid controversy about a foreigner gaining control over the nation's most prestigious newspapers.

Tuesday's decision came despite a flurry of objections to the change from newspaper unions and government backbenchers, who called on Mr. Dawkins to reject Mr. Black's application.

Fairfax shares surged 11 cents Tuesday to close at a record 2.10 Australian dollars (\$1.50), in anticipation of the favorable decision.

Richard George, a media analyst with Hambros Equities, said the shares were likely to edge higher and remain underpinned as Mr. Black builds his stake. Mr. George said the decision pointed to a worldwide trend toward cross-ownership of media.

He said Tuesday's decision would usher in more foreign investment in Australian media and could also signal future relaxation of the government's restrictions on foreign ownership of electronic media.

Investor's Asia

Hong Kong Hang Seng	Singapore Straits Times	Tokyo Nikkei 225
7000	1800	22000
6500	1700	20000
6000	1600	18000
5500	1500	16000
5000	1400	14000
4500	1300	12000
4000	1200	10000
3500	1100	8000
3000	1000	6000
2500	900	4000
2000	800	2000
1500	700	1000
1000	600	500
500	500	200
0	400	100
1982	1982	1982
1983	1983	1983
1984	1984	1984
1985	1985	1985
1986	1986	1986
1987	1987	1987
1988	1988	1988
1989	1989	1989
1990	1990	1990
1991	1991	1991
1992	1992	1992
1993	1993	1993

Exchange	Index	Tuesday Close	Prev. Close	% Change
Hong Kong	Hang Seng	6,638.54	6,690.15	-0.82
Singapore	Straits Times	1,763.07	1,772.02	-0.51
Sydney	All Ordinaries	4,703.68	4,695.40	+0.18
Tokyo	Nikkei 225	18,828.43	20,112.34	-1.41
Kuala Lumpur	Composite	672.53	664.95	+1.14
Bangkok	SET	884.22	890.73	-0.73
Sioux	Composite Stock	721.86	725.76	-0.53
Taipei	Weighted Price	4,449.43	4,577.48	-2.82
Manila	Composite	1,554.81	1,568.65	-0.88
Jakarta	Stock Index	312.81	318.49	-1.82
New Zealand	NZSE-40	1,597.89	1,588.96	+0.54
Bombay	National Index	988.40	1,019.50	-2.76

Sources: Reuters, AFP
International Herald Tribune

U.S. Industry Lobbies for China in Trade Debate

HONG KONG—This year's annual debate over China's most-favored-nation trading status has taken on a decidedly different tone. For one thing, there is the arrival at the White House of President Bill Clinton, who promised during last fall's campaign to take a tougher stance toward Beijing for its human-rights abuses.

For another, there is a considerable amount of cold American cash on the line. And that has the likes of AT&T, Caterpillar and General Electric throwing their collective weight behind Beijing's bid to win renewal of its trade status.

The reason is that U.S. exports to China have grown an average 25

percent during the past two years. In fact, China's economy is now one of America's fastest-growing export markets.

If U.S. lawmakers this summer withhold or add conditions to China's trade status, which offers the best trade terms available, Beijing is certain to retaliate. That would jeopardize billions in U.S. capital now streaming into China.

"This year we are sending the message that American companies have significantly increased their sales to China and without MFN they will be hurt," said Frank Martin, president of the American Chamber of Commerce in Hong Kong.

If MFN is withdrawn, it would

put at risk some \$7.5 billion in U.S. exports and could cost as many as 150,000 American jobs, especially in agriculture, aviation and technology, the business group said.

Despite the stakes, China will not have an easy time winning approval. Its \$18.3 billion trade surplus with the U.S. has ranked trade hawks in Washington. And although Beijing has recently released some political prisoners from the 1989 Tiananmen Square demonstrations, it has not silenced all human-rights critics.

Still, America's growing economic presence in China seems sure to color the debate.

Amoco Corp. signed a \$1.5 billion joint-venture agreement with

China on Monday to develop an oil field in the South China Sea. Net production in the field would increase Amoco's output outside the U.S. by 10 percent.

Texaco Inc. signed a \$400 million offshore-oil exploration project with Shanghai Petroleum and Natural Gas Co. of China just a week before to develop reserves in the East China Sea.

Coca-Cola Co. now has 13 bottling plants in China and signed a memorandum with the Chinese Ministry of Light Industry in February promising to build five more plants in the next five years.

General Electric signed a \$5 million medical joint venture in Beijing last year. More deals are in the

cards, according to Chuck McIntyre, who heads up the company's China operations.

The American Chamber of Commerce in Hong Kong has rallied its ranks, which includes more than 200 of the Fortune 500 companies, telling them to write their Congressmen about the importance of renewing China's trading status without conditions.

AT&T is a prime example of the stakes involved. In February, after four years of trying to break into China's telecommunications market, it announced an agreement that could translate into billions of dollars in revenue over the next decade, the company said.

Tuesday's decision came despite a flurry of objections to the change from newspaper unions and government backbenchers, who called on Mr. Dawkins to reject Mr. Black's application.

Fairfax shares surged 11 cents Tuesday to close at a record 2.10 Australian dollars (\$1.50), in anticipation of the favorable decision.

Richard George, a media analyst with Hambros Equities, said the shares were likely to edge higher and remain underpinned as Mr. Black builds his stake. Mr. George said the decision pointed to a worldwide trend toward cross-ownership of media.

He said Tuesday's decision would usher in more foreign investment in Australian media and could also signal future relaxation of the government's restrictions on foreign ownership of electronic media.

TRADE: Clinton Eschews Free-Trade Rhetoric of Reagan and Bush as He Tries to Pry Open Japan's Markets

(Continued from first finance page)

quotas and other mechanisms for controlling the flow of goods across the Pacific since the early 1970s, when then President Richard Nixon's administration took steps to slow a flood of cheap Japanese textile products.

"The U.S. managed trade before Presidents Reagan and Bush; they just continued the previous policies," insisted Ryutaro Komiya, director-general of the Ministry of Trade and Industry's research institute.

It is thus difficult for Japan to flatterly reject Mr. Clinton's form of trade hardball. But it does put

pressure on the Japanese government to come up with its own recommendations for achieving swift reductions in the trade surplus.

The government has yet to introduce new ideas. Some commentators have been critical of the government's staid policymakers for being slow to realize that a whole new relationship has emerged.

"The conventional approach of meeting selective, specific U.S. demands with principles of free trade or abstract arguments no longer works," wrote the Asahi Shimbun, a leading daily newspaper, in an editorial.

Many officials admit that all the elements of the American policy have been used before and were accepted by Japan. The 12 years under Mr. Reagan and Mr. Bush were, from Japan's perspective, littered with deals that managed trade by having government decrees influence the movement of goods rather than the classic determinants, supply and demand.

These deals ranged from Japanese agreements to limit exports of autos and machine tools to a pledge to help foreign computer chipmakers obtain at least a 20 percent share of the Japanese market. There was also the so-called Plaza Accord in September 1985, which

used government intervention to sharply reduce the value of the dollar against the yen.

At times, these conflicts left American trade negotiators in a quandary. When Carla A. Hills, Mr. Bush's trade representative, visited Japan in October 1989, she took the free-trade line and rejected in principle any targets for Japanese imports of foreign goods, including computer chips.

But just last year, with Japan's trade surplus expanding again, Mrs. Hills insisted the United States would hold Japan to its 20 percent market share pledge.

San Miguel Targets Asia

MANILA—San Miguel Corp. plans to expand in Asia and hopes to get financing from international sources, company officials said Tuesday.

"Our vision is to make San Miguel one of the leading food-and-beverage and packaging companies in the Asia-Pacific region," Chairman Andres Soriano told the annual meeting of the company, which is the largest manufacturer in the Philippines.

Mr. Soriano said San Miguel's net income rose 28 percent last year to 3.59 billion pesos (\$143 million), from 2.81 billion pesos, despite a drop in sales of its flagship product, San Miguel beer.

AMEX

Tuesday's Closing
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trading elsewhere. Via The Associated Press

High	Low	Stock	Div	Yield	PE	52-Week High	52-Week Low	APR 20	CHG
110	108	IBM	3.50	3.18	13.1	110	102	109 3/4	+1/4
100	99	Microsoft	0	0	18.8	100	85	99 1/4	+1/4
90	89	Apple	0	0	20.0	90	75	89 1/4	+1/4
80	79	Oracle	0	0	20.0	80	65	79 1/4	+1/4
70	69	Novell	0	0	20.0	70	55	69 1/4	+1/4
60	59	Lotus	0	0	20.0	60	45	59 1/4	+1/4
50	49	Intuit	0	0	20.0	50	35	49 1/4	+1/4
40	39	Parsons	0	0	20.0	40	25	39 1/4	+1/4
30	29	Unisys	0	0	20.0	30	15	29 1/4	+1/4
20	19	Unisys	0	0	20.0	20	10	19 1/4	+1/4
10	9	Unisys	0	0	20.0	10	5	9 1/4	+1/4

High	Low	Stock	Div	Yield	PE	52-Week High	52-Week Low	APR 20	CHG
100	99	Microsoft	0	0	18.8	100	85	99 1/4	+1/4
90	89	Apple	0	0	20.0	90	75	89 1/4	+1/4
80	79	Oracle	0	0	20.0	80	65	79 1/4	+1/4
70	69	Novell	0	0	20.0	70	55	69 1/4	+1/4
60	59	Lotus	0	0	20.0	60	45	59 1/4	+1/4
50	49	Intuit	0	0	20.0	50	35	49 1/4	+1/4
40	39	Parsons	0	0	20.0	40	25	39 1/4	+1/4
30	29	Unisys	0	0	20.0	30	15	29 1/4	+1/4
20	19	Unisys	0	0	20.0	20	10	19 1/4	+1/4
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70	69	Novell	0	0	20.0	70	55	69 1/4	+1/4
60	59	Lotus	0	0	20.0	60	45	59 1/4	+1/4
50	49	Intuit	0	0	20.0	50	35	49 1/4	+1/4
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Handwritten Arabic text in a box at the top right.

Germany

A Dilemma On Jobs and Immigrants

By Tom Redburn

GERMANY is growing old. And because it is aging ahead of other major industrial nations, the coming demographic changes are creating particularly unsettling new dilemmas for Europe's already-troubled economic giant.

Most ominously, the German work force has started to shrink. Unless current policies change, in less than a quarter century, there will be fewer than two workers for every German retiree, compared with a ratio of more than three-to-one today. How difficult will it then be to pay pensions and health care costs?

Immigration is Germany's most explosive political issue. Beset by rising unemployment as the nation's vaunted industrial engine badly misfires and facing a public backlash over the failure of unification to live up to the government's glittering promises, Bonn is setting up barriers to foreigners. But is Germany trying to close the door on workers it may soon want?

Given all of the nation's present-day economic woes, these and similarly disturbing questions do not seem particularly pressing to most Germans. But they may not be able to put them off much longer.

"Our shrinking demographic base is like a quietly ticking time bomb," said Norbert Walter, managing director of Deutsche Bank Research in Frankfurt. "Nobody is listening right now, but we should be."

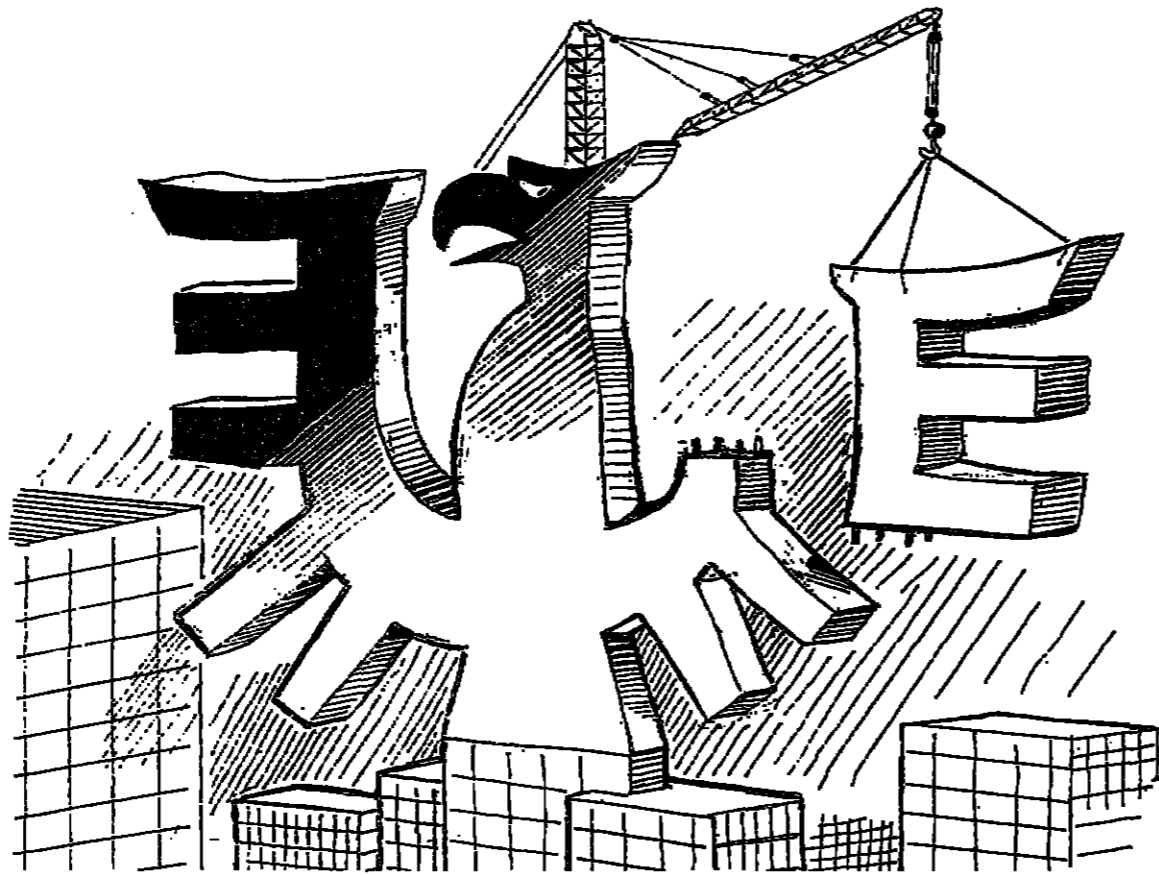
Consider some numbers:

IN 1985, the combined labor force of what was then East and West Germany was about 39 million people. By 2000, the work force of united Germany is expected by the International Labor Office to be barely above 37 million, a decline of 0.3 percent per year. Without fresh outsiders, that decline is all but certain to continue. While growth in eligible workers has slowed in all highly developed industrial nations and is expected to turn down in such countries as the United States, Japan, and Britain within the next two or three decades, only Germany is already experiencing a fall.

The number of elderly is also swelling at the same time a low birthrate is leading to fewer and fewer young Germans.

Right now, about 45 percent of Germany's workers are under the age of 34. By the end

Continued on page 21



Berlin Walls of Redevelopment Going Up

By Conrad de Aenlle

BERLIN — For nearly half a century, development here was forced to conform to a bizarre, manmade geography born of the Cold War. A single metropolis suddenly became two distinct cities, separated by profound social, political and economic differences, and, of course, by concrete.

When the Wall came down, the division ended just as suddenly, but the process of rebuilding Berlin into one city was just beginning. Today, whole neighborhoods are in transition as the past is undone. The effect is to push manufacturing out and draw commerce in.

Projects in progress are expected to increase office space in Berlin by 50 percent, to nearly 17 million square meters, or close to 200 million square feet, making up for decades of underdevelopment.

"This city was an island and the capital of a

socialist country," observed Volker Hassemmer, the senator for city planning for the Berlin state government. "You didn't find investment in offices. We have a totally different situation here from the one in London and Frankfurt. It's natural that now we have a big demand in this area."

Helping to fill that demand will be a massive development at Potsdamer Platz, which used to be in the no-man's land near the Wall in West Berlin but is now in the heart of the city. The project, being underwritten by Daimler-Benz, will include 195,000 square meters of office space, 67,000 square meters of apartments, a hotel and conference center, a shopping mall and a musical theater. It is expected to employ about 12,000.

Daimler had nothing so ambitious in mind when it bought the land in 1989 before the Wall fell. The company was planning to use it for the headquarters of one of its several divisions. Then, said Hans-Jürgen Ahlbrecht, managing director of the project, the Berlin Senate asked if the company could expand its

plans somewhat. A few months later, no pro-

"The Wall collapsed and suddenly there was interest," Mr. Ahlbrecht said. "It was in the heart of Berlin. Then the decision was made to build urban life again."

Other companies building urban life in Potsdamer Platz include the multinationals Sony and Asea Brown Boveri. Construction is projected to begin this year and be completed by the end of 1997. All that is there now are mounds of earth, a traveling circus, a couple of dozen chunks of the Berlin Wall and, for some reason, a World War II-vintage fighter plane with no wings.

Other big developments are designed to bring trade to East Berlin, where there was virtually none for so long. A large commercial project on Friedrichstrasse, about halfway between Unter den Linden andCheckpoint Charlie, will be anchored by a Galerie La-

Continued on page 20

Translating West Into East Stumbles on the 'R' Word Industrial Downturn Compromises Blueprint for Rapid Reconstruction

By Brandon Mitchener

FRANKFURT — The word "recession" is not in the German vocabulary. In dictionaries that even list the word, it comes under the heading "foreign words and phrases," as if the term has no relevance for Europe's biggest economy.

Indeed, after a decade of strong growth, most Germans refused to believe that the decline in industrial production and employment that set in last year was anything other than a momentary dip in an otherwise level landscape.

Now they are learning the hard way. Edzard Reuter, chairman of Germany's biggest company, Daimler-Benz AG, predicted that 1993 will be even worse for his company, a benchmark for the performance of German industry as a whole, than the second half of 1992, itself a disaster.

Helmut Kopper, chairman of Deutsche Bank AG, the country's biggest bank, said recently he would be happy if the economy only shrank 2 percent this year and stopped shrinking next year. That statement was among the most bearish on the economy, which most observers had expected to contract by 1 percent to 1.5 percent.

If, the Munich-based economics think tank, recently forecast an average 7 percent decline in industrial production this year. In the motor vehicle industry, on which every sixth job in Germany is dependent, the decline was expected to be an even more pronounced 20 percent.

A decline of that magnitude does not bode well for employment, and pinches federal income tax revenues, making it harder to pay for the reconstruction of Eastern Germany.

"The latest round of key monthly indicators confirm that the West German recession is still worsening," Karmit Schönholz, an economist at Salomon Brothers, said after seeing March unemployment figures. "In particular, the manufacturing slump is being translated more clearly into falling employment."

"The consequent decline of incomes, intensified by falling real wages and rising taxes and social contributions, will result in additional consumer retrenchment, thus deepening and extending the recession," he said, describing what Germans call a *Teufelskreis*, or vicious circle.

Business bankruptcies, one headline indicator of the state of the economy, were up almost 50 percent in March versus a year earlier.

The only positive effect of the recession is that it helps reduce inflation, making it increasingly likely that the Bundesbank, the German central bank, will bring short-term interest rates down sharply as the year progresses. In March, the annualized inflation rate was 4.2 percent, well above the Bundesbank's stated goal of 2 percent.

Günter Rexrodt, Germany's new minister of the economy, has predicted the situation will improve by early next year at the latest. "Despite these temporary difficulties, there should be no doubt that the essential economic structures of our country are stable," he told an audience in Washington. By "country," he meant Western Germany, of course.

In Eastern Germany, the government faces the Herculean task of turning a country ruined by 40 years of socialism and two years of unification into a modern and attractive business location. "It has become clear in the meantime that this will take more time than we had originally thought to be the case, and greater patience, especially on the part of our citizens in Eastern Germany," said Mr. Rexrodt, a former Berlin finance official.

One of the main brakes on development has been the wholesale transplantation of the West German legal structure on an unsuspecting East. The operation has been disastrous in the case of legal claims on property, because even claims that are unfounded take time to track down. In addition to the fact that many property records were sloppily kept under the former regime, the government literally cannot hire enough trained people to dig through the records that were kept, meaning that the process scares away some investors and slows down those brave enough to come.

Another reason that the "blossoming landscape" that Chancellor Helmut Kohl promised has not yet appeared is the speed with which East German wages are rising to meet West German levels. Investors seeking low-cost labor find it much more lucrative to build or buy factories just over the border in Poland or the Czech Republic than in Eastern Germany. Some West German companies have even can-

Continued on page 21

In the East, a Bumpy Road to Normalcy Mecklenburg-West Pomerania Strives to Repair Economy

By Douglas Sutton

SCHWERIN — The European Community's corner on the Baltic Sea, the East German state of Mecklenburg-West Pomerania, has had more than its share of turmoil and negative publicity in the convulsions of the German unification process.

Last year's anti-foreigner riots at Rostock, the state's biggest city, whose main industries of shipbuilding and shipping have been hit hard by the transition to Western-style market economics, made headlines around the world.

This year, the state capital, Schwerin, has been rocked by a scandal in the Christian Democratic Union/Free Democrat coalition government over an extremely unfavorable contract permitting West German communities to unload their garbage at a trash dump in the state.

The affair led to the resignation of the environment minister, and the state has been left holding what looks to be hundreds of millions of dollars' worth of cleanup costs.

All the turbulence stands in contrast to what is one of the most tranquil and scenic regions anywhere in Germany.

It is a landscape of 2,000 glacier-carved lakes, hundreds of miles of Baltic Sea coastline, wide stretches of quiet forests and farmland, and castles and palaces of the erstwhile Mecklenburg dukes that can rival those anywhere in Europe for splendor.

And, with 1.9 million people, about half Berlin's population, dispersed among its nearly 24,000 square kilometers (9,265 square miles) Mecklenburg-West Pomerania offers a sense of wide-open spaces.

But for the moment, the problems facing the state as it scrambles to adjust to Western market economics are making it hard for the locals to enjoy their home territory.

UNEMPLOYMENT is running at 16 percent by official standards; without federally financed job promotion programs, the actual rate would be nearly 40 percent, and as some of the programs face expiration, tens of thousands of workers stand to lose their jobs.

And, after the initial post-unification rush of new companies being set up, the state has experienced a sharp rise in bankruptcies and closures. There were a reported 117 insolvencies in the state last year — triple the 1991 figure — leaving unsettled claims of some 560 million Deutsche marks (about \$350 million).

Despite the obvious problems, officials at the state Economics Ministry, run by Conrad Michael-Lehment, are mildly optimistic that the

worst may be over and that the efforts to restructure the economy will start to bear fruit, at least putting a stop to the rise in unemployment.

"Looking at the latest data, we think we are starting to see a turnaround," remarked Theda Minthe, a ministry spokeswoman. "Some of the results are mixed, but the general trend looks positive."

Among other factors, export growth is now surpassing import growth. Through the first 11 months of 1992, exports had increased 19.2 percent to nearly 1.99 billion marks, leaving a slight trade surplus.

"We're expecting a 10 percent increase for the overall economy this year, compared to last year's 9 percent growth," Ms. Minthe said. "Also, we're seeing an increase again in the establishment of small and medium-sized manufacturing companies."

Ms. Minthe also says the ministry believes that the most turbulent period is over because the Treuhänd office in Berlin has all but completed the process of privatization of the former state-owned companies — about 1,000 in all — in Mecklenburg-West Pomerania.

"It has been a bumpy process, but we have completed the privatization faster than the other East German states," she said. "Now it's a matter of trying to attract new outside investors and create new companies."

Officials are also quick to point out that the state's economy is mainly based on two sectors that are problematic everywhere in the EC — farming and shipbuilding — so that the economic restructuring is going to take time.

The strategy is to try to build a base of medium-sized industry, promote tourism, and to establish Mecklenburg-West Pomerania as a crossroads in Germany's trade with Scandinavia and with the eastern Baltic region.

Currently, the state is looking at 24 major tourism projects, although only one has gotten under way: a thermal spa resort by a Danish company near Germany's largest inland body of water, Müritzer Lake.

At the same time, the overall tourism infrastructure is being expanded. Mr. Lehment said that the last remaining 80 hotels and inns in the Treuhänd's possession are soon to be privatized and brought up to Western standards of comfort.

Several hundred kilometers of bicycle path are being developed, camping facilities expanded and improved, and sailboat marinas, both along the Baltic coastline and the inland lakes, are being built and upgraded.

And, the most certain sign of all that Mecklenburg-West Pomerania is making the switch from communism to capitalism, the state has approved construction of eight golf courses.

DOUGLAS SUTTON is a business editor at the German Press Agency DPA in Hamburg.



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Germany/A Special Report

Military Sees New Life in an Old Alliance

By Joseph Fitchett

PARIS — Leaders in Bonn, after a brief flirt with ideas of creating a European defense force, are turning back to NATO, the country's oldest alliance, as the vehicle for pursuing the new German security interests.

Only the U.S.-led alliance, officials in Bonn said in recent interviews, has the resources to modernize the German armed forces and the military credibility to manage crises beyond Germany's borders.

By itself, renewed potential in the Western alliance may not solve problems of morale and reorganization that have reached near-crisis proportions in the ranks of the German services.

But Defense Minister Volker Rühle has told U.S., British and French defense officials that a reinvigorated, partly redesigned NATO military machine is the best hope of obtaining stronger German participation in international peacekeeping activities.

Already, Mr. Rühle's views have started forcing into the open some security issues that have been dormant both in his own country and among allies. The question is not yet settled about whether Germany should have an army like any other Western nation's that can be ordered into combat anywhere.

It challenges French hopes of working with Germany to create a European army that would rely less on U.S. help. Meanwhile, the Clinton administration has not yet set a future U.S. role in NATO.

Addressing the International Institute of Security Studies last month in London, Mr. Rühle said that his country should assume a leading role in maintaining stability in Central Europe, a position supported in public opinion polls by a near-majority of Germans.

For that purpose, he said, NATO needed to accelerate its overhaul into smaller, more mobile forces designed for intervention beyond the borders of the alliance's member states, an idea supported by Manfred Wörner, NATO's secretary-general and a former German defense minister.

What Mr. Rühle did not say was that a NATO revamped along these lines would offer a greater voice to Germany and require a continued U.S. commitment to be effective. Both countries will find a revamped alliance more comfortable if France moves closer to it.

Mr. Rühle's military and political logic is compelling. Without major German involvement, there can be no serious Western use of force to settle crises in Eastern Europe. Already in Bosnia, German air crews were needed in NATO's reconnaissance planes.

Yet, Germany's armed forces, the best army in Europe during the Cold War, have deteriorated dramatically as the country gropes for a new strategy. And there is as yet no political consensus in Bonn about their new role.

A report to the German parliament last month described the armed services as bewildered and demoralized because the govern-

ment has given them no sense of purpose. A parliamentary ombudsman found that all three services — army, navy and air force — had been assigned new missions without the equipment or training to do the job.

Problems stem partly from the fact that the German Army during the Cold War offered quasi-bureaucratic officer careers. The new German Army is offering more risk and fewer family comforts.

This shift is particularly painful because of drastic and continuing spending cuts. The defense budget, a Rühle aide complained recently, "has become the quarry where the government always digs out new funds to meet the costs of modernizing former East Germany."

The shortage of funds will constrain any major military effort, including the development of armaments that a European army would need to become independent of the North Atlantic Treaty Organization. No combination of European countries seems

capable in the foreseeable future of buying a fleet of transport planes or intelligence satellites to replace the U.S. facilities provided through NATO.

Germany's defense industries operate with stringent political rules against selling weapons to unstable countries. These restrictions inhibit the Bonn government from even giving away arms.

German forces have no use for the Soviet-made warplanes, tanks and artillery inherited from former East Germany and many new European democracies are clamoring for these armaments because they fit with old Warsaw Pact equipment.

So far, Mr. Rühle has only been able to release a little surplus German weaponry to Finland and, in the form of spare parts, to Hungary. His critics charge that the arms to Hungary will turn up in war-torn Yugoslavia, where a large Hungarian minority feels threatened by the Serbs.

Even German military hand-me-downs to a fellow NATO ally, Turkey, have caused political turmoil in Bonn because of alleged military repression against dissident Kurds by the Turkish authorities.

Similar cost constraints and political inhibitions limit the prospects for the armed forces of the new Germany to learn how to handle the duties of a modern army designed for foreign intervention, a role utterly different from territorial defense.

A new NATO offers the only hope for German forces to gain the wherewithal to master a new mission aimed at quelling local wars that might affect Germany in a variety of ways, from refugees to the grim possibility of nuclear civil wars in the former Soviet Union.

If NATO were oriented toward foreign intervention, the alliance would offer Germany not only the indispensable U.S. military infrastructure for long-range mobility but also the right framework for German forces to prepare themselves for rapid action in unpredictable foreign crises, defense officials in Bonn have said.

So far, the clearest military signal has come, ironically, from France, traditionally the maverick in the alliance. Despite its earlier diplomatic resistance to NATO's new role as a European peacemaker, France has sent its air force into the air-interdiction campaign over Bosnia under NATO command.

That break with the Gaullist doctrine of French military independence heartened officials in Bonn, who are hoping that France will join Germany in saving NATO by strengthening the European voice in the alliance without driving the Americans out.

Probably the decisive factor in this complex change is the credibility of emerging German policy. The court decision this month not to order German crews out of the NATO reconnaissance planes over Bosnia has not settled the political debate about a larger military role.

But the court's ruling does shift the political outlook in favor of the Kohl government's interventionist views against the opposition Social Democrats, who want to tie any German military commitment to changes in the United Nations to ensure that its actions cannot be dictated by Washington.

The Kohl government's view is that Germany can only become a heavyweight in UN deliberations, perhaps one day as a new permanent member of the Security Council, if German troops can be used freely as an instrument of national power.

Significantly, the cliff-hanging episode of German involvement in the air-exclusion zone over Bosnia saw a remarkable absence of allied arm-twisting of the sort that became routine in the 1980s.

During what turned out to be the final decade of the Cold War, Bonn governments frequently balked at NATO policies, especially the nuclear initiatives, because many Germans feared that the alliance was liable to turn their country into an atomic inferno.

Now, the Bonn government is more worried than anyone else about the risk of seeing NATO start to fall apart, especially because of German actions.

JOSEPH FITCHETT is on the staff of the International Herald Tribune.



Departing Soviet troops bid "Farewell to Germany."

Swords to Plowshares, East German Style

By Ann Brocklehurst

POTS DAM — More than half the soldiers the former Soviet Union had stationed in East Germany have now pulled out, leaving the Germans to cope with the environmental damage and to figure out how the much-needed land and the former military facilities can best be put to use.

The East German *Länder* (states) have a severe shortage of state property to use for industry, housing and government administration. But despite that, they have not jumped at the federal government's offer to give them land vacated free of charge. The problem is that in many cases the cost of cleaning up old military grounds is greater than the value of the land.

Until the Germans gain complete access to all the Soviet-used land, a total of 117,000 hectares (about 290,000 acres), or 2.5 percent of the land surface of Eastern Germany, they cannot even attempt to estimate accurately how much decontamination will cost.

"It's clear that it's a double-digit figure in the billions, which means it starts at 10 billion marks," said Helmut Domke, the civil servant in charge of the conversion of military facilities for the state of Brandenburg.

Brandenburg, which surrounds the city-state of Berlin, had 7 percent of its land surface set aside for military use during the Cold War. Almost 40 percent of Soviet personnel (numbering 545,000) and their families stationed in East Germany lived in the strategically important Land. And the headquarters of the Soviet military West Group was located in Witsdorf, south of Berlin.

In Brandenburg's capital Potsdam, an old garrison town, the Red Army simply took over many of the already existing military facilities. Their pullout and the closing of former East German Volkssarmee bases will free 360 hectares of built-up and cleared land, including a huge chunk of 211 hectares in the north of the city that the municipal government plans to use for housing and a business park.

While the renovation and conversion of mili-

tary into civilian housing can begin immediately in some cases, other planning and development projects will have to wait until at least August 1994, when the last of the troops are set to leave.

The troops, whose departure is proceeding on schedule, are leaving behind military exercise sites, shooting ranges, radar stations, vehicle service centers, warehouses, airports and barracks, as well as housing facilities for army families, hospitals and other buildings.

The environmental problems include improperly disposed of household garbage, severely leaking sewage, fuel-soaked earth, unexploded munitions and contaminated ground water. The government's goal is to clean up the dangerously polluted zones as fast as possible while scheduling the less urgent jobs over the next decade.

"For the most part, the land is contaminated only at selected points," said Gundula Herwig, a geologist at the Brandenburg state Ministry of the Environment.

Mr. Domke said the thoroughness of the cleanup depends on the planned uses of the land, which range from parkland to waste-disposal sites. Brandenburg's conversion experts believe that some of the biggest sites — 20 are more than 1,000 hectares — would be ideal for waste disposal and recycling centers since they offer enough space to meet security requirements. Other sites are slated for conversion into industrial areas and research-and-development zones.

Some 60 percent of the military land in Brandenburg, however, lies in smaller towns between the town center and the railroad station. These installations, well suited for urban development, range from single houses to barracks with up to 20 hectares of surrounding land.

Former East German Army facilities, many of which were freed up immediately upon German unification in October 1990, have been converted in a relatively short time. But the cost of converting the barracks into a reasonable standard of civilian housing has proved high and compares to the price of new construction. Urban planners hope that innovative

designs and new techniques will bring the costs down. Their methods will be put to the test in the West Group's military headquarters in Witsdorf, where some 75,000 civilian and military personnel will move out by 1994, leaving behind a deserted town that the government intends to rattle with Germans.

Despite the many obstacles to be overcome in reusing military land and facilities, Brandenburg is committed to conversion. "We can't just not use the land and go and build a shopping center in a green meadow," said Mr. Domke. "Even though it may seem cheaper at first, in the long term, it's neither cheaper nor ecologically sound."

ONE major advantage to using the military land is that in most cases there are not the property ownership and legal questions found with so many other sites. The federal government's title is generally secure and it is prepared to turn the land over to the Eastern *Länder*, which compared to the Western states, have little state land of their own.

The sticking point in the negotiations is figuring out who will pay for the cleanup. Under the current system, the federal government will sell the land to the states at an 80 percent discount and reimburse them as much as the sale price if any environmental damage is later discovered. The offer to turn the land over free of cost, which Mr. Domke describes as "we'll-give-you-the-land-with-the-kerosene-in-the-ground," comes with no prospect of cleanup funds, however.

Mr. Domke says that to accept such an offer is a risk the cash-strapped Eastern *Länder* cannot afford to take and that both levels of government must share the cleanup costs. "After two years of experience with conversion, we have realized that the damages of war and the arms race are greater than we expected," he said. "Conversion is a more complicated process and will take a long time."

ANN BROCKLEHURST is a journalist based in Berlin.

Eastern Women Look for the Safety Net

By Ann Brocklehurst

FRANKFURT AN DER ODER — The high divorce rate in Eastern Germany is often explained by the housing shortage. In the former German Democratic Republic, many couples married in their early and mid-twenties because it was the only way of getting their own apartments and leaving their parents' homes.

In the case of one-third of the couples, however, any housing benefits were soon overshadowed by other problems and the marriages ended in a cheap and easy East German divorce.

Many of the women, who are the product of those broken marriages, are now finding it especially difficult to adapt to life under capitalism. According to government statistics, households headed by single mothers account for 10.5 percent of the population in the East compared to 6.8 percent in the West.

And in Eastern Germany, where one out of five women is looking for work, women make up some 65 percent of the unemployed.

While life as a single mother was by no means easy under communism, the system was in many ways set up to cope with it. East Germany prided itself on having a higher proportion of working women than any other country in the world and some 85 percent of working-age women were employed outside the home. State day-care centers catered to their child care needs and most cities had facilities that would keep the children for the entire week if the mothers were working overnight or on late shifts. The fees were low for such services, as were rents, and everyone was assured of a job.

In the transitional phase from communism to capitalism, most women are receiving enough money from job creation measures, retraining programs or unemployment insurance to make ends meet, but they are worried about what will happen once these programs run out, as many soon will.

"The retraining program is keeping my head above water," said Manuela Held, a 31-year-old divorced mother with an 8-year-old daughter. "So far, things have been quite good. But the future makes me nervous. If I sit and think about it too much, it makes me go crazy."

Ms. Held previously worked as a word processor at a semiconductor factory, which was the only industry in her hometown of Frankfurt an der Oder, on Germany's Polish border. While parts of

the company have since been privatized, the total work force has been cut to 1,400 from 4,000. No other industry has moved in to replace it, and Frankfurt's future will likely be as an administrative city handling trade with Poland and providing services to Berlin, 80 kilometers (50 miles) away, if and when it becomes the seat of government.

Ms. Held hopes her current training program as an office administrator, in which she is learning the commercial word processing programs used in the West, will enable her to find work.

According to the federal Ministry of Women and Youth, women in the former GDR formed, in all job areas, a higher percentage of the work force than in West Germany. As a result, unemployed Eastern women come from all sectors of the economy.

WOMEN with a post-secondary-school education that did not take place in a university often find themselves without a job these days because their qualifications are simply not recognized by Western employers.

Ingrid Brückner who was trained at the equivalent of a commercial college in Saxony and then worked as a men's clothing buyer, is now receiving further instruction in her field to help her find a job.

"There are many academics in my program and women who went to technical colleges," she said. "It's very difficult for them because before, they used to be somebody and now they aren't anymore."

In Saxony's textile industry, where some 75 percent of the workers were women, the work force has been cut to 1,300 from 13,000 before unification. The minister of labor, social security, health and women for the state of Brandenburg, Regine Hildebrandt, has complained that unemployment among women is not taken as seriously as among men and that the death of the textile industry has been a silent one, unlike the closing of major steel plants where the work force was overwhelmingly male.

It is the goal of Angela Merkel, the federal minister of women and youth, to devote to women a proportion of employment subsidy funds corresponding to their level of unemployment. In the case of training and retraining, this target has almost been reached with women who occupy almost 62 percent of the retraining spots. In the work-creation program, however, women still receive only 45 percent of funds.

East German women searching for work are often unsure of their rights and many complain that prospective employers are not willing to hire older women or women with children. While the birth rate in Western Germany, at one time the lowest in the world, has gradually started to climb again, the birth rate in the East has dropped 60 percent since 1989.

Although the German media regularly come up with horror stories of Eastern women falling through the country's strong safety net, most women's biggest financial worry appears to be that their wages will fail to keep pace with fast-rising expenses.

Despite the budget worries, many married women believe that if their husbands have well-paid, secure jobs, they could get by with a part-time position, a solution that was rare in the former East Germany.

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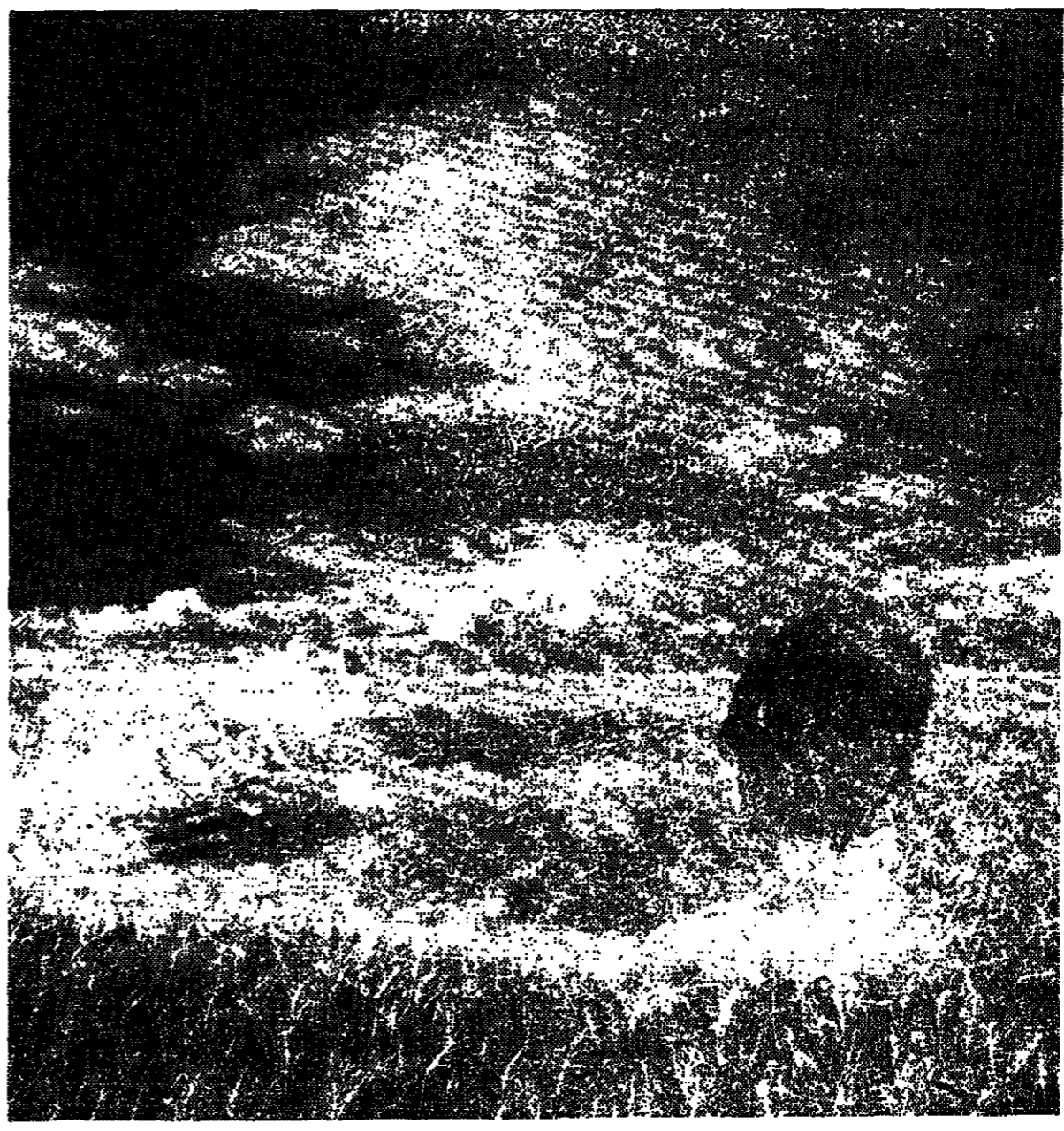
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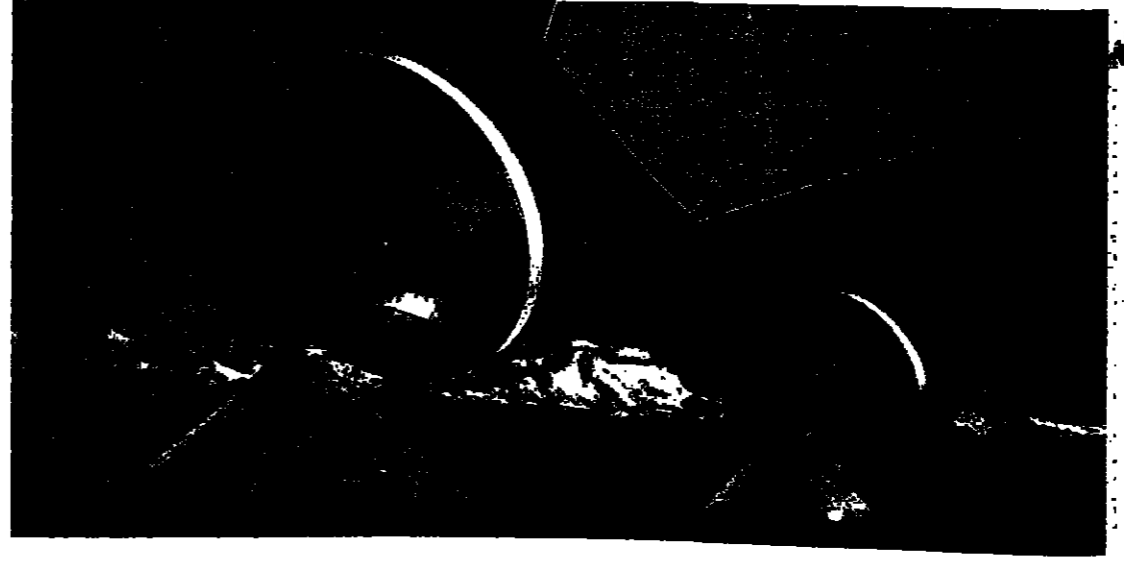
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Germany/A Special Report

Railroads Rumble Toward a Switch To Privatization

By Randolph Walarius

BONN — Few corporations are lucky enough to go into business debt-free, but Germany's railroads are to do just that as a reform meant to lead eventually to the privatization of the nation's debt-laden rail carriers.

The worry is that even such favorable start-up conditions may not turn the cumbersome operation into a business that can cover its own costs, much less make a profit, experts say.

"Skepticism is justified," a Finance Ministry official said. "But the government sees the privatization as the only chance to make the railroad more successful, or less unsuccessful. There is hardly a railroad operation that covers its own costs."

Strictly speaking, the reform will not be a privatization, but a conversion of the operation into a stock company with the federal government the only shareholder. But the move is expected to give managers the room needed to run the business more efficiently.

"The root of the railroads' entrepreneurial weakness is the absence of responsibility at the Railroad Authority," Transport Minister Günther Krause said of the plan. "We are addressing that here by giving the railroads the stock company structure that is aimed at creating an entrepreneurial leadership."

The weakness is illustrated by the railroads' accumulation of what is expected to be 70 billion Deutsche marks (\$43.75 billion) in debt by the end of 1993. The 1992 deficit to be announced in May is expected to be about 15 billion marks.

AFTER much wrangling, Bonn officials agreed to spin the railroad off into the stock company on Jan. 1, 1994, as the first step in what they hope will eventually be privatization.

The creation of the new company would coincide with the merger of Germany's two railroads, the Bundesbahn in the West and the Reichsbahn in the East.

The federal government will pick up the debt burden. The new Deutsche Bundesbahn AG would become a holding company in 1997 for three new stock companies, one for passenger transport, one for freight transport, and the third for the railbed. Five years later the holding company would be dissolved, leaving three independently operating companies. No one expects shares to come to market before the end of the decade and some do not see it happening for a decade after that.

The proposal is now before parliament. Passage is expected, but the federal and state governments must still compromise on which will pay the costs incurred under a regionalization of local passenger lines. That hitch could delay the ambitious schedule by some months.

The most important question is whether the reform will stop and then reverse big losses in market share in both freight and passenger hauling. Outside analysts say the first step is necessary, but does not go far enough.

"It won't be enough to solve the problems," said Rainer Münch, an economist at Deutsche Bank. "The problem in the end is how the change in the legal structure at the railroad... will be implemented in terms of operations."

That remains unclear in the reform plan, he said.

Relatively small decisions must get approval from Bonn. Investments of more than 5 million marks require approval from government ministries.

An inclination to favor engineers has resulted in oversized and unprofitable equipment. Passenger cars, the complaint goes, are built too heavily, making them unnecessarily costly to run.

Slow-moving freight trains get in the way of high-speed passenger trains. Computer technology, which could reduce delays caused by signaling, has been slow in coming.

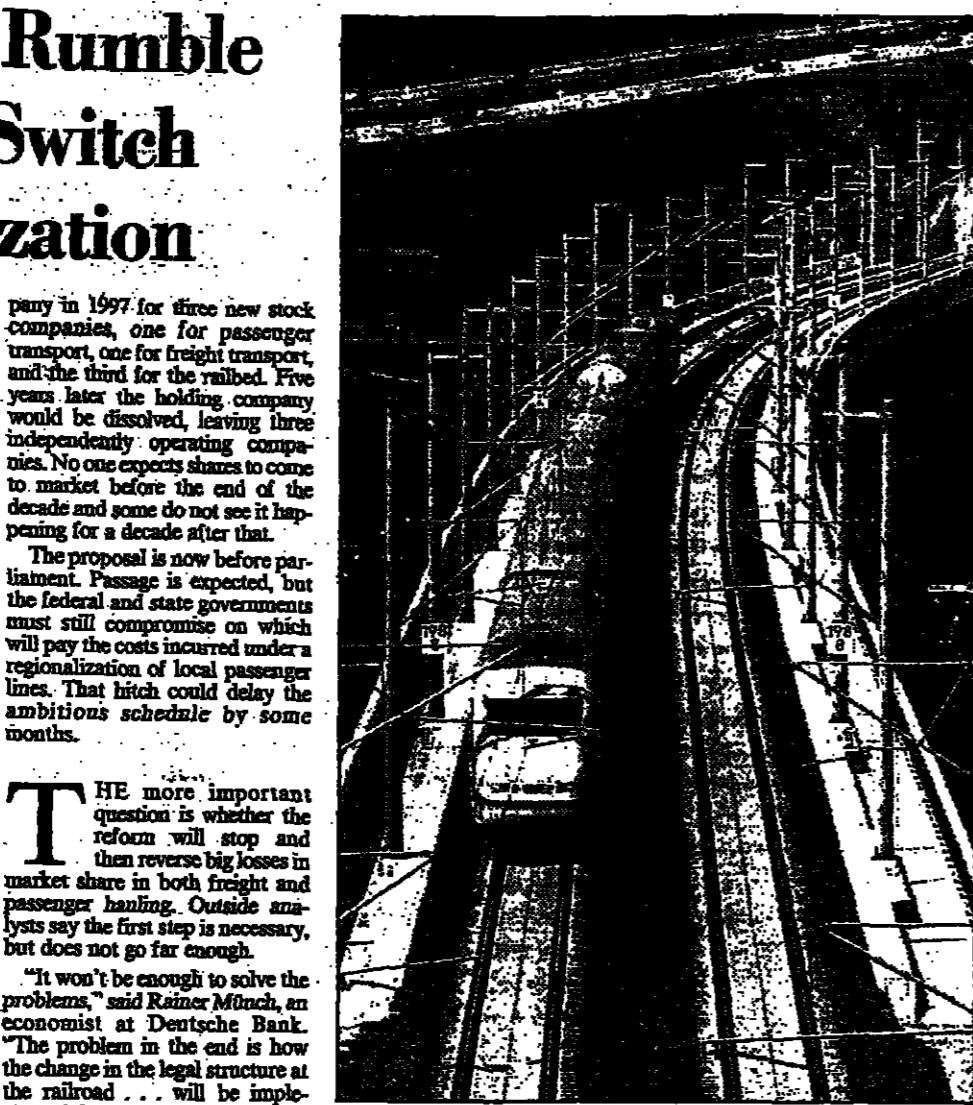
Businessmen complain the railroad does not have the flexibility to get their widgets from here to there with the ease and at the price that road haulers can.

The decline in market shares bears out the complaints. The Transport Ministry says the railroad's share of the freight market fell to 24.7 percent in 1990 from 39.9 percent in 1970 in Western

Germany, while the share of the passenger traffic market fell to 6.2 percent in 1990 from 8.4 percent in 1970. With the nation in recession, another decline in freight hauling is expected when the Bundesbahn releases its 1992 results next month.

Eastern Germany's Reichsbahn has suffered even sharper declines as its freight haulage nearly disappeared along with much of the region's industry in the aftermath of German unity in 1990.

"If the railroad were to increase haulage by 100 percent, it would reduce the volume carried over the roads by only 12.3 percent," said Bernhard Gellner of the German Federation of Industry.



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Telephones: The \$37 Billion Connection

By Conrad de Azeite

BERLIN — Last year a visitor in the western part of this city tried to phone someone in the eastern part. After a dozen or so busy signals, he took a taxi over and the two spoke in person.

That's nothing compared with the plight of a businessman in one of the new Eastern states who got so fed up trying to make phone calls that he turned to carrier pigeons.

At least he lived to tell the tale. In some cases, the waiting list for a telephone in East Germany was so long that when workers went to install new lines, they found that the customers had died.

Using the phone in the East demands a lot less stamina now, one result of the 60 billion-Deutsche mark, or \$37 billion, program to modernize the region's telecommunications. By 1997, Deutsche Bundespost Telekom, the state-run monopoly, expects to install 5.7 million phone connections, 70,000 pay phones, 30,000 data connections, 36,000 interactive videodisc lines, 4.3 million cable television lines and 500,000 mobile phone book-ups in the East.

Actually, to say the East German system is being modernized is to understate the case. Telekom is pretty much starting from scratch, there being very little of the old system worth saving.

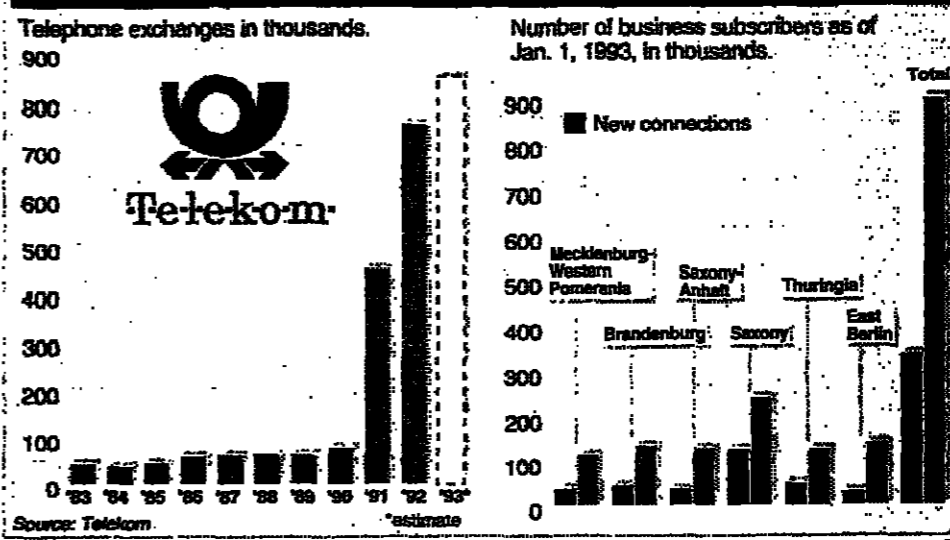
When Telekom took over its equivalent on the other side after the Berlin Wall was dismantled, it found only one phone for every 10 persons, compared with nearly one for every two in Western Germany. And there were fewer than 2,000 lines linking East and West.

"In 1990, when the two halves were linked, the East was bad technically and organizationally," said Jürgen Hoffmann, Telekom's director-general in charge of the Eastern states. "It was a situation much like a developing country."

During the 1980s, East Germany's phone company installed roughly 50,000 phones per year, or just over one for each of its 43,000 employees. That compares with 757,000 installations in 1992. Mr. Hoffmann expects the figure this year to be about 900,000, and he said that most of Eastern Germany should be plugged in by around the turn of the century.

By the end of this year, all main and regional phone exchanges, which link cities of any appreciable size, will be converted to state-of-the-art digital models and connected by fiber-optic cable. Mr. Hoffmann said. By 1997, all of Eastern

Telecommunications in the Eastern States



Germany's local phone exchanges should be digitized, as well. "The telecommunications structure in Eastern Germany is now more modern than in the West," Mr. Hoffmann said, "because we had to change everything."

That may be true, but critics of Telekom — and there are many — say that building a phone system more modern than Western Germany's is no great feat.

Philip Townsend, who follows the industry for Bear Stearns, notes that in Western Germany, the percentage of digitized exchanges, a benchmark for a phone network's level of technological advancement, is 10. But in Pakistan, for instance, the figure is 24 percent and in Chile 76 percent.

Mr. Hoffmann said Telekom is modifying some exchanges in the West by adding a digital component onto old analog switches. These exchanges will be available to users who need services such as data transmission, but for the majority of customers who only need phone lines to talk to people, analog exchanges are good enough and will remain the foundation of the network, he said.

How can a country with a reputation for engineering excellence, the one that gave the world the Mercedes, have such a low-tech phone system?

"It's a lot like a Mercedes; they have heavy, old equipment," remarked Dimitri Ypsilanti, who heads a telecommunications policy group of the Organization for Economic Cooperation and Development. "A Mercedes lasts for 20 years. They feel, 'Our switches last 20 years, why should we change? That's the way they've come to think in engineering terms.'"

That attitude is reflected in the inexhaustible supply of tales of antiquation and inefficiency from Telekom customers. One said she returned from a long vacation and found a bill for 2,000 marks worth of calls that no one was there to make. The dispute has lasted more than a year, in part because it is nearly impossible to receive itemized phone bills, something Telekom says is intended to protect privacy.

ANOTHER client said he asked for his service to be suspended but kept receiving bills. He called to complain but could not get through. Finally, he said, he went in to the office and found workers relaxing at their desks with their phones off the hook.

Telekom executives respond that the company is expanding its range of services and increasing productivity per worker. It will have to. A European Community initiative to deregulate phone service is due to kick in next year, with a fully open market mandated for 1998.

The company's privatization, which officials hope will be approved by parliament later this year, should also compel it to improve service and cut costs. A prelude to privatization, and a sticking point that has held up the vote, is modification of labor statutes that give many Telekom workers the protection accorded civil servants. Without a change in their status, Telekom will not be able to lay off the many thousands it will need to for the company to be competitive.

Privatization is critical for Telekom's modernization program.

Those are big numbers, especially in a shrinking economy. Mr. Townsend wonders if Telekom will be able to follow through with its ambitious plans for the East.

"It's certainly going to be difficult," he remarked. "Will the situation deteriorate so much that we actually see a cut in expenditures [from projected levels]? Germany is going to say no, we're not going to do that, but depending on how bad the recession gets, it may have to."

It may already have. A spokesman for Deutsche Telephonwerke, a supplier of phone equipment to Telekom, said some of the work Telekom had planned for this year had been pushed back to 1994.

"It's a question of capital for Deutsche Bundespost," he said. "It's not able to continue the modernization at this tempo."

Nevertheless, making a phone call in the East should continue to get easier.

"In Eastern Germany, they've got big brother Western Germany to help them," said Mr. Townsend. "They should put their system up and running in five years to a decade. By then, their telecommunications system will be as good as the rest."

Leipzig Bourse Seeks to Make Its Mark

By Brandon Mitchener

FRANKFURT — When East German state governments, local communities and companies need to raise money, they now have little choice but to trek to Frankfurt, Germany's banking capital, hots in hand.

Within a year, however, that could change dramatically. Saxony, the Eastern state that has made the most progress in reconstructing, is determined to reopen a stock exchange in Leipzig, a booming banking, trading and media city, and the state has the support of 21 local officials and businesses.

"Our plan is to increase the competition [with Frankfurt] by creating a local bourse with local investments," said Harald Degner, a retired former head of the Hamburg stock exchange and an adviser to the nascent Leipzig exchange.

"Saxons are great savers and want to invest their money," he added, "but they want to keep it in the region, not see it migrate to Frankfurt."

Despite a cold reception in Frankfurt, competition between the two trading centers is expected to be friendly because Leipzig represents little threat to Frankfurt's preeminence in dealings with blue-chip stocks and bonds. Indeed, Frankfurt accounts for 70 percent of stock and bond turnover on Germany's eight operating stock exchanges.

Instead, the Leipzig exchange is mainly seen as an alternative source of funds for East German states and local communities, which need to issue billions of Deutsche marks of debt to help finance infrastructure projects, as well as for recently privatized companies that are considered too small to issue shares in Frankfurt. Only one East German company to date, the dairy group Sachsenmilch AG, has floated shares in the West.

It could also eventually help in the privatization of companies still in the hands of the Berlin-based Treuhandanstalt, which is considering the viability of bonding companies together in holding structures that could eventually go public. About 2,500 Treuhand companies are still seeking outside investors.

The new exchange, Germany's ninth, already exists on paper, and is to begin trading local bonds this fall. Called the Mitteldeutsche Börse zu Leipzig, it resurrects the prewar name of what was once Germany's second largest stock exchange, after Berlin, serving the region including Saxony, Saxony-Anhalt and Thuringia.

In addition to helping regional interests raise cash, a regional bourse is likely to reinvest most of its commission income in the area.

Year	1991	1992
	377.0	428.6
	109.0	124.5
	190.4	221.3
	795.5	465.6
	38.1	44.5
	1,520.5	1,765.5

rather than see it siphoned off by Frankfurt, supporters say. It also serves a flagship function, reminding outsiders that Leipzig boasts more than 30 financial institutions, including German and several foreign banks.

The Leipzig exchange's steering committee includes local government officials, savings and loan institutions, banks, a few companies and the local chamber of commerce. The local government has guaranteed 6.5 million marks (\$4 million) in startup credits.

Dieter Rudorf, a former state finance secretary in Dresden who is the Leipzig bourse's chief champion, has had a hard time selling

his idea in the West, where the clear trend has been toward greater centralization of stock and bond trading in Frankfurt.

"The Leipzig exchange doesn't have a chance," one Frankfurt stock exchange official said bluntly, asking to remain anonymous.

The country's biggest banks, which own 80 percent of Deutsche Börse AG, the holding company for the Frankfurt exchange, are equally uninterested, although sources said it is unlikely they will stay away if they see East German clients flock to local banks to buy their local securities.

The other seven regional stock exchanges, meanwhile, in Düsseldorf, Munich, Berlin, Hamburg, Stuttgart, Hannover and Bremen, are themselves worried about losing business to Frankfurt and therefore also not particularly responsive to Leipzig's ambitions. Berlin, in particular, being surrounded by Eastern Germany, would like to be seen itself as the region's first address for stock and bond transactions.

While Leipzig has its sights turned inward, focusing on regional needs, Frankfurt is more worried about London and increasing international competition in financial transactions.

In particular, Frankfurt has been promoting a series of computer innovations that now let members elsewhere — even in other countries — conduct stock, bond and futures transactions on the Frankfurt exchange directly.

Like the Frankfurt exchange, Leipzig's electronic trading system, now provides a large part of the business of Germany's other regional bourses, which in turn have taken a 10 percent stake in Deutsche Börse AG, the holding structure.

In January, the Deutsche Terminbörse, the futures and options exchange, announced an agreement with Marché à Terme International de France, its French counterpart, to sell each other's products and standardize their trading tools within a few years.

RANDOLPH WALARIUS reports from Bonn for Knight-Ridder.

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Germany/A Special Report



Berlin? Bonn?

Economic Slide Rekindles Debate on Capitals

By Michael Farr

BONN — Two-and-a-half years after the formal celebration of German unification, Berlin remains a capital in waiting...

legislative term. Indeed, 2002 is seen as a more likely date and some members of parliament favor pushing the move even further back into the new century.

Any delay is being vigorously opposed by Berlin's mayor, Eberhard Diepgen, a leading member of Chancellor Helmut Kohl's Christian Democratic Party...

Hartmut Perschau, interior minister of the East German state of Saxony-Anhalt, warned recently that a delay in the government's move to Berlin "would set off a serious crisis of trust and further undermine Eastern Germany as a place for economic investment."

Mr. Diepgen's great hope, which seems increasingly unlikely to be realized, is that the government will be installed by the turn of the century and that Berlin will be able to celebrate its re-emergence as a reunified world capital by winning the right to stage the Olympics in the year 2000.

To compensate for the delay in the government's move, President Richard von Weizsäcker, whose role, although largely ceremonial, is influential, has declared that he will be performing an increased share of his duties in Berlin.

Although general elections and a new legislative period are due in the fall of 1994, Bonn politicians now see 1998 as the earliest date for transferring the parliament to Berlin, something that could only take place at the start of a new

Mr. von Weizsäcker, whose term of office runs out at the end of June 1994, has decided not to wait for the renovation and conversion as the presidential seat of the Kronprinzenpalais (Crown Prince's Palace) at the top of Berlin's most historic boulevard, Unter den Linden, and to use instead his existing official residence in West Berlin, the elegant 18th-century Schloss Bellevue beyond Tiergarten park.

Mr. Kohl, meanwhile, has settled on the solidly impressive Villa Borsig as his provisional Berlin workplace and seat. Otherwise, the move to Berlin remains subject to such redevelopment projects as the government quarter of the Reichstag, the prewar parliament building, and the Spreebogen, or loop of the river Spree that runs behind it.

of democracy stands or falls with the adherence to the decision to move to Berlin.

To speed the process, Hanna-Reizate Laurien, speaker of the Berlin Senate (parliament) and Volker Hassemer, the senator for city planning for the Berlin state government, have suggested without much success that while the Reichstag is made ready, parliamentarians could occupy the former Prussian state parliament building, which is more capacious than their current accommodation in a converted Rhineland waterworks in Bonn.

In a comment earlier this month, the daily Frankfurter Allgemeine Zeitung noted: "If Bonn really wanted to, it could move without the new buildings; the restructuring of the center of Berlin turns out to be a waste of time and money."

Günter Rexrodt, the federal Economics Minister, has called for a quick and economical move to the capital. "If we have less money, we must lower our expectations for the buildings," he said.

Otto Lamsdorff, leader of the Free Democrats and a former economics minister, said a renewed discussion about the move must be avoided. By rekindling such a debate, parliament would "make itself ridiculous," he said. Economics, he noted, were needed but a postponement was not necessary.

And Cornelia Sonntag, Social Democrat spokeswoman, added that people anyway had little understanding for "a deluxe seat of government."

MICHAEL FARR, the author of two new books on Germany, is based in Bonn.

Red Tape and Public Fears Hamper Genetics Industry

By Peggy Salz-Trautman

BONN — While outside competition is made to take the blame for Germany's loss of leadership in microelectronics, fiber optics and cameras, hurdles within Germany such as government bureaucracy, tedious approval processes and a skeptical public may rob the country of its competitive edge in biotechnology.

For the companies of Germany's chemical industry, the effort spent filling out forms and battling government bureaucracy is time and money wasted when it comes down to conducting research and development. In short, one chemical engineer notes, "We're filling out forms to O.K. genetics engineering while others [in the United States] are filling out patents."

Indeed, the process from project to production can take years and cost thousands. While government approval for such research in most of Europe and the United States involves only a handful of officials, the procedure in Germany is subject to the approval of at least 20 different authorities, covering every legislative level from local community councils to federal government ministries.

What this amounts to, one chemical company executive notes, is "having a great idea but no way to realize it." The process is seen as too detailed and too long. As a result, the executive continued, "the chemical industry sees yet another case against Germany as a Standort," or business location.

Whether or not Germany is an attractive location would not be such a topic of concern if it were not for the potential Germany has to be a leader in biotechnology.

ACCORDING to Dieter Jahn, vice president of biotechnology at the Ludwigshafen-based chemical company BASF, Germany has long held and deserved its reputation as the "world's pharmacy," but is in danger of losing it when it comes to genetic engineering.

The European Federation of Chemical Industries, for example, estimates that the market for genetics products, which totaled 10 billion Deutsche marks (\$6.25 billion) in 1990, will grow to exceed 166 billion marks by the year 2000. Mr. Jahn asks: "Is Germany passing up this growth market?"

If so, he said, it is not the fault of the chemical industry. Indeed, he said he and his peers were "fighting to keep Germany a Standort for genetic engineering, no matter what."

But BASF cannot ignore the mounting disadvantages to doing business in Germany. When BASF decided to isolate and examine an ordinary enzyme complex, government approval of the project required 10 researchers to fill out some 27.5 kilograms (60 pounds) of forms at a cost of approximately 500,000 marks. State



Genetics research lab at BASF

regulations required BASF to fill out each form 11 times.

In 1989, after four years of planning, BASF decided Germany was not the proper location for its biotechnology facilities after all. In March, BASF began construction of its Bioresearch Corp. in Worcester, Massachusetts.

BASF says it chose the United States for three reasons: the quantity and quality of surrounding biotechnology institutes and universities, the public acceptance of genetics as a respectable science and the lack of government bureaucracy.

For Dietrich Brocks, head of the metabolism group at Hoechst AG in Frankfurt, there is something "schizophrenic" about Germany's relationship to genetic engineering. The majority of people, Mr. Brocks says, want the jobs it creates and the cures it can offer, but do not want the work to be done within the country.

A recent poll conducted by Germany's Sample-Institut reported that 61 percent of those interviewed were against genetic engineering, while only 35 percent supported the science. But, when it comes to developing a possible cure for cancer or AIDS, 74 percent said they favored genetic engineering after all.

In 1984, Hoechst asked authorities to approve its plans to genetically engineer and produce human insulin. Although two government agencies declared the procedure to be safe and approved the process, the state court of Hesse denied the company's request in 1989, adding that it was "at least comparable in danger" to the peaceful use of atomic energy.

Hoechst is still waiting for court approval of its insulin production. Eckard Linnenkohl, spokesman for Initiative Genetic Engineering, an information campaign, admits

industry has a hard time in Germany but adds there are "faint but positive signs" the country may be on road to a change in attitude.

Following a three-month advertising campaign in major newspapers, the group received over 4,000 replies. "That," Mr. Linnenkohl said, "is 100 times more than we would ever dream of receiving." Still, he said, much has to be done to calm the "public hysteria" surrounding genetics engineering.

According to Manfred Ritz, spokesman for the Frankfurt-based Federation of Chemical Industries, the majority of Germans are quick to associate genetic engineering with the "making of monsters." Young people are especially skeptical. "They fear the know-how could produce sheep with goat heads . . . or someday fall into the hands of a right-wing radical who would use it to produce a perfect race."

Indeed, Hoechst's Mr. Brocks said, "Public acceptance of genetics is the industry's biggest hurdle." The industry hopes the government will make good on its promise to push for change in Germany's outdated genetics engineering laws. Parties in the ruling coalition have indicated they will approve measures to cut bureaucracy and streamline permit procedures for chemical companies, while the opposition Social Democrats and Greens say they may oppose such moves.

If the government does not act now, it will pay later, Mr. Ritz said. "Industry will make a large detour around Germany . . . forcing it to lose its head start long before the real race has begun."

PEGGY SALZ-TRAUTMAN is a Bonn-based writer specializing in technology.

Trade: Is France Catching Up?

Germany and France are each other's No. 1 trading partners, with France running a chronic deficit with its more powerful industrial neighbor. In this article, Jacques Neher reports on this evolving relationship from the viewpoint of Paris.

By Jacques Neher

PARIS — With its central bank about to be set free, France could soon give Germany a run for the money.

Economists say that Prime Minister Edouard Balladur's plan to give the Banque de France the same measure of independence as the Bundesbank could set off a significant shift in attitude about the currencies of the two countries.

They say that the economic fundamentals have changed so much between Germany and its No. 1 trading partner over the past few years that, with French monetary policy unshackled from political control, the way would be opened for the franc to gain new force against the Deutsche mark.

Such a turn of events would

boost the flow of international capital into French equities and bonds, while continuing gains in productivity consolidate the much-improved position of French exporters on the German market, they say.

"It's all coming together so that there could be a fundamental strategic realignment between the much larger, productive, dynamic economy that was Germany and the France of today," said Paul Horne, international economist with Smith Barney in Paris.

France has outpaced Germany in the productivity race to the point that Daimler-Benz recently pointed to the French automakers Renault and Peugeot, along with the Japanese carmakers, as examples of productivity to which the German industrial giant should aspire.

"That's really something," said Mr. Horne. "It tells you how much things have changed."

Mr. Balladur said earlier this month that central bank independence would permit the Banque de France to initiate a constructive dialogue with the other

central banks, and notably the Bundesbank.

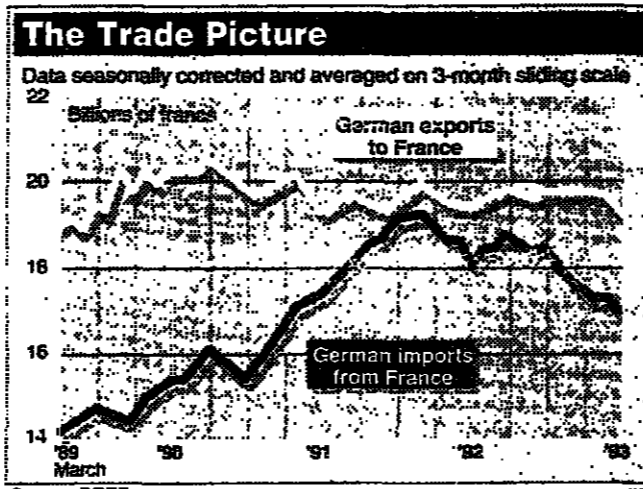
Beyond the political significance of such dialogue for advancing the aims of the Maastricht treaty, independence, economists say, would give the franc more credibility in international markets, thus reducing its "risk premium" of more than a percentage point over the mark in the market for short-term bonds.

By the end of the year, David Harrington, economist with DLP-James Capel in Paris, predicts the differential of bond yields with Germany "should have narrowed to negligible proportions."

Once convinced the French central bank is really operating autonomously, economists say the market will likely re-examine the fundamental economic realities in the two countries, causing the franc to rise against the mark.

Mr. Horne envisions a Deutsche mark at 3.36 francs, or even 3.35 francs — its central pivot rate — by year-end, from around 3.38 francs currently.

Some analysts even envision the franc generating so much confidence that it supplants the mark within a year or so as the anchor for



Source: DREE

the European Monetary System.

However, Peter Pietsche, economist with Commerzbank in Frankfurt, said that while the franc will likely gain in stature, a total shift in market attitude about the two currencies is "impossible" because the franc "is not an international currency like the mark."

What's more, he said that it takes "many years, even decades to establish a currency."

Meanwhile, in 1992, French merchandise trade with Germany

was in deficit by 20.5 billion francs (\$3.7 billion), up from a deficit of 12 billion francs in 1991, which was the best performance in recent memory. In 1990, France's trade gap with Germany was 42 billion francs, and in 1989, 59 billion francs.

Despite the widened gap last year — due mostly to a 3 percent decline in exports caused by lower consumption by a German economy entering recession — experts say the major gains of the past few years are not likely to be surrendered.

"This gain is solid," said Jean Alzamora, a French government analyst specializing in French-German trade. "We won't go back to the deficits of the late '80s."

Mr. Pietsche of Commerzbank said that France has succeeded in its gains in competitiveness by "following the German model," and he said that as long as French inflation, currently running around 2 percent, is kept in check.

As Germany's biggest supplier, France was well positioned to profit from unification, which prompted a strong demand for consumer goods that German manufacturers could not meet alone.

In 1991, French exports to Germany jumped 13 percent to 223 billion francs, building on an 11 percent increase in 1990. The gain mostly reflected industrial export growth, particularly the automotive sector, where French brands — led by Renault's small Clio and middle-range R-19 — have captured some 16 percent of the market in Eastern Germany.

In 1992, with German manufacturers fighting back and the overall market in sharp decline, French auto exports fell 19 percent to 17.5 billion francs. However, that is still 73 percent more auto exports than the French registered in 1989. German exports to France, meanwhile, were flat last year at 236.1 billion francs, despite a 23 percent jump in auto exports, to 24.4 billion francs.

JACQUES NEHER is a financial journalist based in Paris.

Companies Learn 'Just in Time'

BONN — For decades, the traditional formula for industrial success seemed to work: Gather great scientific minds together in a think-tank, allow them an unlimited budget and wait for their passionate research to produce a product breakthrough.

But fierce international competition combined with the hectic pace of technology is teaching many companies a painful lesson. Having an idea is good, but bringing it quickly to market is better. Flexibility is a must for survival.

German industry analysts warn, is standing at a crossroads. A lack of flexibility and an almost "fanatical" preoccupation with perfection are what Wolfgang Dernbach, managing director of the Frankfurt-based consultancy Diebold Germany, argues could cost the country its competitive edge.

Companies have to free the potential of their product managers and research teams from the shackles of outdated hierarchies and overly complicated manufacturing methods or face the danger of losing that potential altogether.

And German industry must also embrace a different approach to teamwork. If German companies want to compete, analysts say, they have to follow the example of other industrial powers and form flat management structures and interdisciplinary product teams.

For a country that believes in strict divisions of work and the absolute authority of management, one British analyst notes, "this almost amounts to heresy."

Germans, the analyst continues, must get away from the notion that a researcher only researches and a marketer only markets. Only groups of experts who represent all aspects of the product life cycle can cut the time to market and increase quality.

The idea is not new. The majority of Japanese and American companies have been practicing it for almost a decade. Now, some German firms, spurred by foreign competition or the effects of a world economic slowdown, are breaking out of their mold. And many are emerging as technology leaders rather than followers.

of research and development, the company has taken on a more active role in communicating with its systems suppliers and has adapted to the principles of simultaneous engineering.

Simultaneous engineering means that all departments necessary to the product cycle are involved from the start and work together on the outcome.

This approach saves money because it reduces product modification and limits the retooling of the design through the diverse departments involved in product

structure product divisions, reduce bureaucracy and rethink its complete approach to R&D — then it hired Matti Ojala.

Mr. Ojala, a 53-year-old native of Finland, joined Telenorma in 1990 where he now oversees the company's complete R&D operations and is responsible for two of its main product divisions. Mr. Ojala had held a number of top positions at electronics companies such as Nokia in Helsinki and Harman Kardon in Nagoya, Japan.

Mr. Ojala says his years in the Far East taught him the importance of teamwork. The experience, he adds, has also confirmed his belief that the Western style of management often ignores its single most important resource, individual initiative.

The only answer to this dilemma, according to Mr. Ojala, is open teamwork, in order to, as he puts it, "turn the Western pyramid structure on its head and take the glamour out of being boss."

SINCE 1990, Telenorma has removed one complete layer of middle management and reduced its administration personnel by a third.

Mr. Ojala also introduced his colleagues to the idea of "just-in-time R&D," a teamwork-based concept similar to simultaneous engineering. It directs scientific genius toward concentrating on the core issue of satisfying customer needs.

Mr. Ojala said that just-in-time R&D allows a company to beat competitors on two fronts: It yields a product that is one better than what the market offers, and it guarantees the product makes it to the market on time.

But, Diebold's Mr. Dernbach argues, "It's not enough if only the industry giants are breaking away from the structure which were straggling their potential."

Small and middle-sized companies, which make up 90 percent of Germany's industry base, also have to get away from the "hoop" sense notion that doing it right means only doing it yourself . . . the old and accepted way," he said. They also have to learn to "reject the urge to do everything perfectly right down to the production of the last screw."

First Telenorma's board of directors recognized the need to re-

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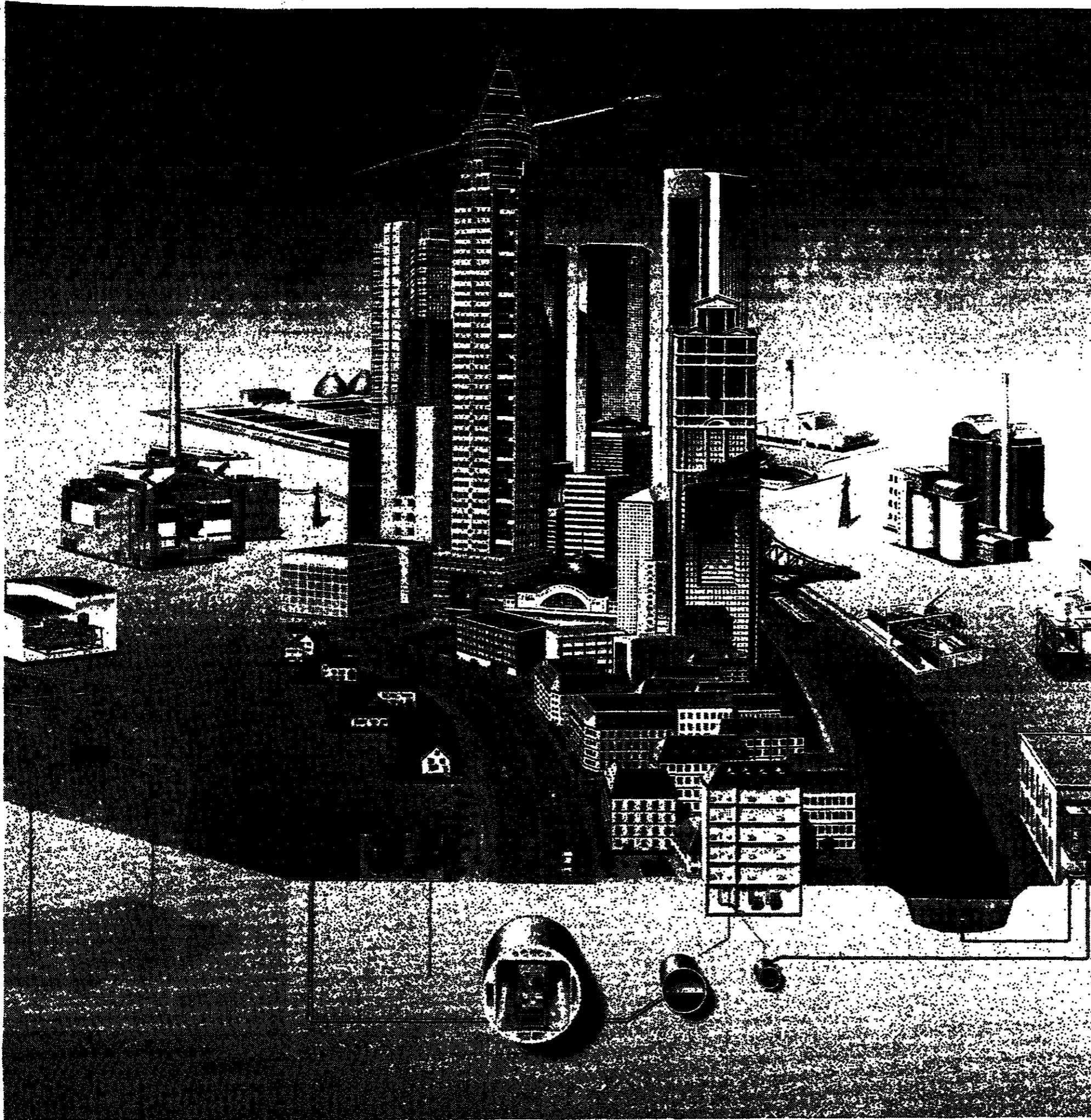
Peggy Salz-Trautman

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Germany/A Special Report



New Weeklies Battle for Share Of the Print Media's Market

By Douglas Sutton

HAMBURG — As if the German press didn't have enough to report on already, the news publishing business itself has been a major topic of coverage in 1993.

with the results of its venture, convinced that Germany, with its population of 80 million, is large enough to accommodate two news weeklies. It is backing its new magazine with an aggressive advertising campaign seeking to draw readers away from Der Spiegel, with its weekly paid circulation of nearly 1.2 million.

speaking is not a real newcomer, but it is now for the first time trying to gain a nationwide readership.

Founded 40 years ago by the East German Communists, Wochenpost had a readership of some 1.2 million readers in its heyday. After the fall of communism, Gruner & Jahr and late British publisher Robert Maxwell bought the paper in a 50-50 venture, and after Maxwell's death, the Hamburg company became full owner.

Using modern design, color and layout techniques, the new weeklies are out to capture a younger generation of readers.

Invisible Wall Separates Readers of Berlin's Press

By Michael Kallenbach

BERLIN — Three years after the fall of the Wall, Berlin's press remains as divided as ever. Readers in the East are sticking to papers they knew before the peaceful revolution of November 1989 that toppled the Communists. And in the West, people have proved to be just as inflexible when it comes to changing their reading habits.

the German national daily Die Welt moves from Bonn to Berlin at the end of May.

The tabloid BZ is still Berlin's favorite paper, with average daily readership of about 329,000.

But what has emerged as probably the biggest challenge to the established West-ern-based publishing houses is the revamped Berliner Zeitung, a paper that had been a staunch supporter of the former Communist government in East Berlin. With the blessing of the Treuhandanstalt, the agency charged with privatization of East German firms, the late British-based press baron Robert Maxwell and Gruner & Jahr became its new owners.

They appointed a former editor of the news magazine Der Spiegel, Erich Rohme, as publisher and moved to hire a team of experienced reporters from the West, while at the same time retaining several East German journalists to help steer the paper in the direction of their readers' needs.

The paper's news reports and analyses are relatively short compared with other quality papers. However, it sees its main purpose as dwelling on problems and solutions besetting the East Germans. Possibly because it is cheaper than Western-based papers, it has also built up a steady readership in the western part of the city.

Admittedly, its original goal of trying to become a national along the lines of the Munich-based Süddeutsche Zeitung has not been realized. The paper is widely seen as a success with an average daily circulation of over 265,000. This is still ahead of the Berliner Morgenpost (301,500) and Der Tagespiegel (123,200), two West Berlin publications.

On an average week, the Berliner Zeitung manages to capture about 125,000 readers in

the West, as opposed to the 27,000 that Der Tagespiegel has in the East.

Speaking of the success that the Berliner Zeitung has had, Manfred Volkmar, head of the Berlin Journalist School and former publisher of the Spandauer Volksblatt, says: "Under the new leadership, the paper has concentrated on Berlin topics and problems, and has had considerable success doing this."

For the newspaper world, unification has meant relaunching old titles, massive redesign and restructuring, new computer installation, modern printing presses and a new injection of funds.

EVERY serious and often deadly boring Tagesspiegel — it was the first daily to be given a license to print by the American authorities after World War II — has had to look for funds from elsewhere. After investing 100 million Deutsche marks (\$63 million) on new printing presses, the paper has failed to attract new readers, its circulation having dwindled since the fall of the Wall.

Last September, the Stuttgart firm Holtzbrinck, which owns Germany's financial daily Handelsblatt and six other regional newspapers, came to the rescue by buying a 51 percent stake in the company. With this investment, the paper hopes to reach its goal of being "an opinion-forming paper, produced in the capital for the capital" by the time the government moves from Bonn to Berlin — assuming such a move takes place.

While the Berliner Zeitung might appear pleased with its modest success, its rivals, not surprisingly, see things differently. "They are the losers," said Wolfgang

Ludwig, publisher of the Berliner Morgenpost. "When the GDR still existed, the old Berliner Zeitung had 440,000 readers. Now that figure is down considerably."

"The competition for new Berlin readers is as fierce as it was during the '30s," said Ulrich Schütz, now deputy editor of Der Tagespiegel. Formerly with the Frankfurt Allgemeine Zeitung, he is one of three senior editors brought in to breathe new life into the paper.

Both Mr. Schütz and Mr. Ludwig point to the lower wages and costs that East Berlin printing houses have compared to the West. East German salaries are not yet at a par with those in the West and papers put together in the East cost less, too.

But surveys show that when it comes to seeking out higher income earners, Der Tagespiegel is the paper that advertisers turn to. In an average week, 108,000 readers of Tagespiegel earn more than 5,000 marks a month as compared to only 52,000 readers of the Berliner Zeitung.

Among the less successful titles that made brief appearances in Berlin in recent months and closed soon afterward are Rupert Murdoch's attempt with Burda Verlag at a downtown tabloid Super!, as well as Kurier am Abend, Die Tribune, Der Morgen, Deutsche Landblatt and Extra.

Meanwhile, the darling of the left-liberal readership, Taz (Tagesspiegel), has made yet another appeal to its faithful band of readers for more money to help keep it alive. The paper has the policy of paying all its employees, from junior reporter to editor, the same and has an average daily circulation of 16,466.

MICHAEL KALLENBACH is a journalist based in Berlin.

Berlin Walls of Redevelopment Going Up

Continued from page 14

fayette department store. The addition of a seventh floor to the KaDeWe department store in the western half of the city is regarded by many as a preemptive strike in the battle for retail supremacy in Berlin.

Much of the plans for the city represent a leap ahead to the past. The layout of the new Berlin looks

a lot like the old one. The center is being shifted east to the area around Alexanderplatz and Marx-Engels-Platz, the hub of city life in prewar times. This will be home to a number of new or refurbished city and state government buildings and commercial ventures.

"We're looking for a way to use the big open spaces the west and socialism left us," a city planning spokesman explained. "It's not very lively there now."

Planners insist that West Berlin will not be shunted aside and that not all the new activity will be concentrated in the East. They expect the West to remain the center of Berlin's financial and banking community, for instance.

"We will have a system of very important points in the center of the city, not just one," Mr. Hassemer said. The sections of West Berlin undergoing the greatest upheaval are

the industrial zones that sprang up during the years of division in neighborhoods near the Wall like Kreuzberg. Now many companies there find they cannot afford to stay and are moving out.

Deutsche Telephonwerke, a maker of telecommunications equipment, expects to open a factory this summer about 30 kilometers, or 18 miles, northeast of the city in Hoppegarten, transferring 500 of its Kreuzberg employees.

"We needed a modern production facility to compete, and we couldn't do it here," said Horst Röddiger, a spokesman for DeTeWe, as the company is commonly known. "Kreuzberg is part of the city now, from the point of view of traffic and the cost of building. If DeTeWe continues to grow, this [new] plant can grow."

What makes doing business in sections of the old West Berlin so expensive is not just the cost of land and the higher wages needed to keep staff, but the fact that the German government is no longer paying companies to stay there. In 1990, subsidies and tax preferences from Bonn to the state of Berlin and its businesses and individual taxpayers totaled just under 23 billion Deutsche marks, or about \$14 billion.

Companies had to be subsidized to recoup the high cost of shipping their goods through enemy territory to reach their markets and to compensate them and their employees for having to live at Ground Zero. Now that the Cold War has ended, the subsidies are vanishing. Mr. Röddiger said DeTeWe got 50 million marks a year not long ago. The figure fell to 10 million marks in 1992 and nothing this year.

To reclaim its position as a business hub, Berlin will have to recover from the loss of tens of thousands of manufacturing jobs that have left the city in the last few years.

"In the eastern part of Berlin, we have had an enormous decline in employment, due to the diminished role of industry there," said Jörg Schlegel, deputy director general of the Berlin Chamber of Commerce and Industry. "In the beginning of the change, we had 190,000 employed in industry, now there are 50,000. We hope we can stabilize this figure at 40,000, then swing it up again."

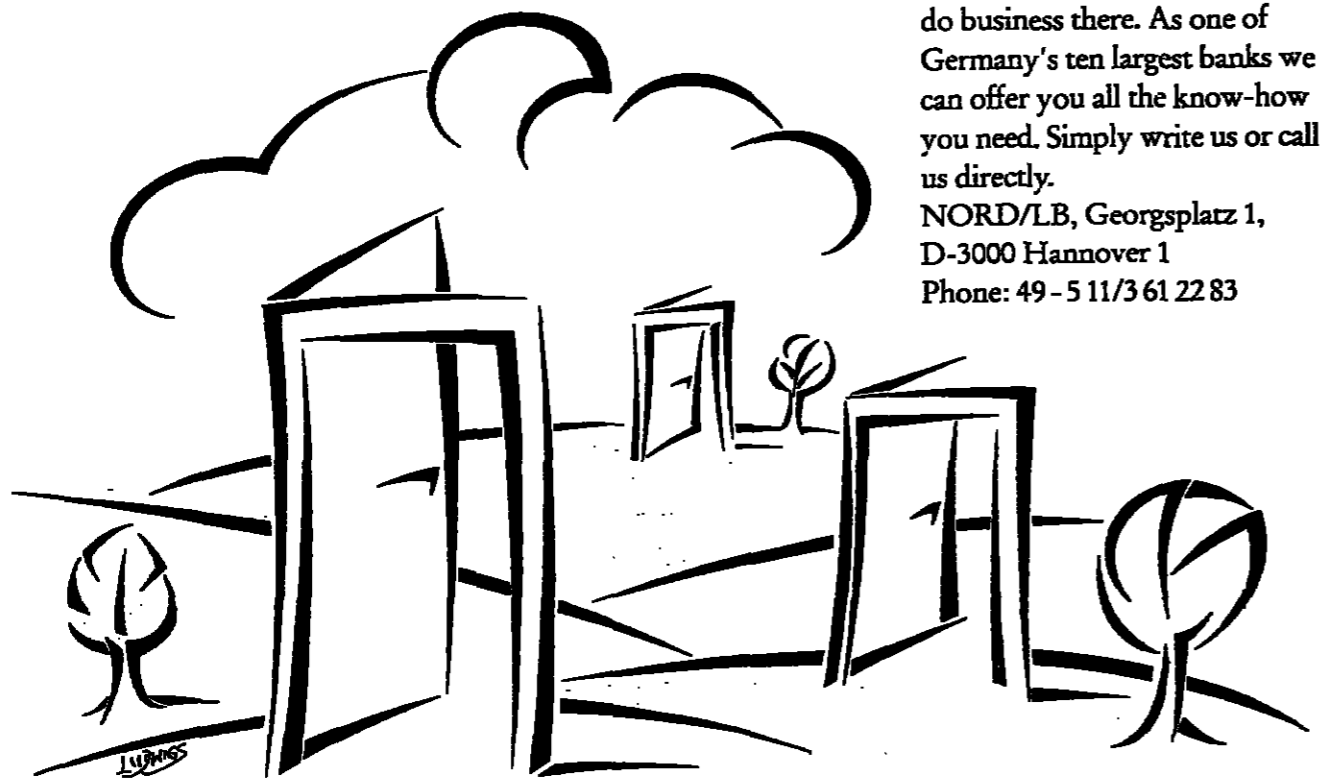
Mr. Schlegel hopes the city will develop as a center for services, but he says it is vital to rebuild its industrial base, too, preferably with new, high-technology industries that are willing to pay more to operate in the city in order to take advantage of its research and educational infrastructure.

CONRAD DE AENLLE is a Paris-based journalist who specializes in financial topics.

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Germany/A Special Report

Economy Stumbles on 'R' Word

Continued from page 14

celebrated specific plans related to Eastern Germany in favor of Hungary.

Nevertheless, East Germans are understandably eager to see their wages rise as fast or faster than local inflation, currently 9 percent a year in the five new states. Employers are using the sad state of the eastern region's economy to argue for a slower process, leaving many East Germans worried they are being relegated to second-class citizens and their region to a sort of German *mezzogiorno* that will forever lag the West.

The most ferocious labor battle is being fought in the East German metalworking and engineering sector, where unions rejoiced over a lucrative three-year contract back in 1991 only to see employers cancel it this April when the economy turned sour. Whatever the compromise reached, experts said German labor relations may never be the same again. The contract cancellation was unprecedented in West Germany, and is seen as having set the stage for a more confrontational approach to labor relations in all of Germany.

Hamburg's HWWA economic research institute recently said the East German economy still shows no signs of a turnaround, with deindustrialization continuing in all areas of the economy that do not directly benefit from government-financed infrastructure projects. Eastern Germany's manufacturing industry contributes just 15 percent of the region's gross output, about half the corresponding West German ratio, the institute said.

Nevertheless, the transformation from a command to a social market economy in Eastern Germany is well under way. From the 13,000 enterprises inherited by the Treuhänder privatization agency after German unification, some 11,000 have been sold.

And after two years of shrinkage, the East German economy is expected to grow around 15 percent this year, buoyed by construction and services.

The restructuring in Eastern Germany, meanwhile, has not left Western Germany untouched. Despite his stated conviction that the structure of Western Germany's economy is basically sound, Mr. Renzold is drawing up a master plan to restore German competitiveness that includes corporate tax reform, new job creation, productivity increases, deregulation and privatization of the state-controlled railroad and telecommunications monopolies.

In a recent blood-sweat-and-tears speech, Mr. Kohl called on Germans to wake up to new competitive challenges stoked by unification, European integration and the opening of Eastern Europe. "Economic and financial measures alone are not enough to secure Germany's competitiveness," he said in a speech to parliament. "Movement in public budgets must be matched by movement in people's heads."

BRANDON MITCHENER is the International Herald Tribune's correspondent in Frankfurt.



Dilemma Over Jobs and Immigrants

Continued from page 14

the decade, only about 37 percent will be so young.

Apart from Sweden, Germany already leads the industrial world's march toward retirement, with about 15 percent of its population over 65. That proportion is projected to steadily increase, reaching 27 percent by the year 2030, far ahead of most of the pack. To add to the challenge, only about 3 percent of Germany's elderly do any paid work, compared to 10 percent in the United States and 26 percent in Japan.

Bernd Hof, an economist at the business-sponsored German Economics Institute in Cologne, put it most bluntly in a recent magazine interview. "The Germans," he said, "have decided to die out."

QUITE a contrast to Adolf Hitler's strident demand for *Lebensraum*, or living space. Indeed, the irony is that, just as containing Germany's thrust toward expansionism was one of the deepest problems of the 20th century, so its population decline may come to be part of one of the central challenges of the 21st.

There are two obvious solutions, most economists agree, to the steady aging of the German work force: move new people to where the jobs are in Germany; move the jobs in Germany to where the people are in other countries.

In fact, both trends are under way, much to the dismay of many Germans.

Nearly 100,000 workers from Eastern Europe are legally employed in Germany, labor officials say. They work primarily in the construction industry, for subcontractors from such countries as Romania, Poland and Bulgaria. But there are at least as many illegal workers from Eastern Europe

in the underground economy, who have flocked to wealthy Germany for any jobs they can find. They paint houses, fix appliances, do gardening. All without benefit — or expense — of Germany's extensive social insurance safety net and at wages well below those most Germans will readily accept.

In addition, about 3 million of the "guest workers" hired to Germany in the postwar boom years before 1973 remain. They are largely from Turkey, the Balkans, and Italy.

Meanwhile, barely a day goes by without an announcement of more job cuts by yet another overbuilt German company. For example, Daimler-Benz, which last year wiped out 14,000 jobs in Germany, plans to cut another 15,000 in 1993. The German steel industry has announced plans to eliminate at least 40,000 jobs in the next three years, although union officials say anywhere between 55,000 and 125,000 workers are at risk of losing their jobs.

While most of the layoffs are due to the immediate impact of the recession in Continental Europe, a large number of those high-paying industrial jobs will probably never return to Germany. At the same time, more and more German companies are becoming bolder in expanding operations to other countries, ranging anywhere from the nearby Czech Republic to the United States.

Germany is not alone, of course, in undergoing some of these wrenching economic and social shifts.

"Movements of workers will be driven by the growing gap between the world's supplies of labor and the demands for it," wrote William B. Johnston, author of *Workforce 2000*, a research project sponsored by the U.S. Department of Labor. "Nations that have slow-growing work forces but rapid growth in service-sector

jobs (namely Japan, Germany and the United States) will become magnets for immigrants, even if their public policies seek to discourage them. Nations whose educational systems produce prospective workers faster than their economies can absorb them (Argentina, Poland, or the Philippines) will export people."

YET, because of its unique history, this tension between the future economic pressure for immigrants and the underlying public uneasiness over foreigners is likely to be particularly acute in Germany.

"It's a serious political problem," concedes Wolfgang Scheremet, labor market economist at the DIW economic institute in Berlin. "But it is not an impossible one."

Mr. Scheremet finds grounds for optimism about Germany's prospects in precisely those population trends that tend to worry some other analysts. "We're all worried about rising unemployment, but that should vanish later in the decade because of these demographic developments," he said. "At the same time, the last 10 years have seen deep reductions in both weekly and lifetime working time among Germans. There is room to reverse that trend, which will also come with the growing realization that we will need some immigrants."

"What we are experiencing today is primarily a problem of the business cycle, not a structural problem."

But not everyone is so reassured. "There's clearly going to be a lot of turmoil," said Mr. Walter of Deutsche Bank Research. "I'm not sure Germans are ready to face the radically different future that awaits us."

TOM REDBURN is on the staff of the International Herald Tribune.

International Treasure Hunt

Germany and Russia Search for War Booty

By Michael Farr

BERLIN — The most fabulous treasure to be seen in Berlin before World War II was the dazzling, 8,000-piece hoard of King Priam of Troy, discovered by a German archaeologist in Anatolia in 1873. Lost since 1945, the Russians now admit that they took it as "war booty" and that it lies languishing out of view in a museum depot on the outskirts of Moscow.

Its existence acknowledged, King Priam's treasure is at the center of complicated discussions between Germany and Russia on the return of works of art plundered by both sides during the war.

Russian officials are making it clear, however, that any handing back of the Trojan hoard is dependent on the Germans finding and returning the celebrated Bernstein Zimmer, or Amber Room, which Nazi troops dismantled and moved in 1941 from Catherine the Great's Summer Palace at Zarskoye Selo, outside St. Petersburg, to Königsberg Castle.

Valued today at more than 260 million Deutsche marks (\$160 million), the extraordinarily opulent room vanished in 1945. Originally, and ironically in view of its fate, the 14-meter-long and almost 5-meter-high (45-by-16-foot) wall of translucent amber carvings and mosaics, made up of 22 panels, was a gift from Frederick William I of Prussia to Peter the Great.

"Give us the Amber Room back and we will know where to find Priam's treasure," declared the grand old lady of the Russian museum world, Irina Antonova, director of Moscow's Pushkin Museum.

BUT the problem is that despite searching more than 200 places where it was thought the Amber Room might have been concealed for safety in the closing months of the war, the Germans are no nearer finding it. Most recently, a network of cellars used by Hitler's elite SS under the city of Weimar, which was sealed off after the war, was reopened in the so-far fruitless search.

Klaus Goldmann, chief custodian at the Berlin Museum for Pre- and Early History, once the proud possessor of King Priam's Treasure, believes that the hunt must be intensified in Germany and that memories may be jogged if rewards are offered. Private firms taking advantage of the latest technology could be tempted to hunt for lost treasure, he argues.

In 1873, Heinrich Schliemann discovered the

stunning treasure of King Priam while excavating ancient Troy in what is today Turkey.

Schliemann had the 3,500-year-old treasure shipped to Berlin, where it was "to be kept safely together in perpetuity." But in May 1945, Soviet troops came across it stored in packing cases along with other works of art in a heavily fortified anti-aircraft tower by the Berlin Zoo. They dispatched it to Russia, where amid great secrecy it has remained ever since.

Other works of art that have been missing from German museums, libraries and archives since 1945 include the so-called "Eberswalde gold hoard," almost 500 pictures and 1,500 drawings from the Dresden art collections, including works by Cranach and Rubens, and at least five million books, medieval manuscripts and early printed works.

German officials estimate that the Russians purloined altogether some half a million works of art from castles, museums, galleries, libraries and archives in their zone of occupation. For its part, Russia lists some 200,000 works of art plundered by the Nazis following the 1941 invasion of the Soviet Union.

Under a 1990 German-Soviet friendship treaty, both sides have agreed to hand back artworks without demanding compensation, but the process is likely to prove problematic, was subsequently destroyed in bombing raids and a large quantity later sold into private collections scattered around the world.

Russian archivists now admit that stolen German works of art mostly found their way to state collections or secret depots in the former Soviet republics. In some cases, poorly stored, their condition is known to have been allowed to deteriorate drastically.

Thousands of looted Old Master paintings and drawings, as well as pieces of Renaissance sculpture, are known to be stored in the Pushkin Museum in a tower of the monastery at Zagorsk, 72 kilometers (45 miles) north of the Russian capital, while a sanatorium in Uzkoye, on the outskirts of Moscow, accommodates on behalf of the Soviet Academy paintings taken from Frederick the Great's Sanssouci summer palace at Potsdam.

Earlier this year in the latest step, Interior Minister Rudolf Seiters of Germany and the Russian culture minister, Yevgeny Sidorov, agreed to try and return at least some of the plundered treasures and signed an accord setting up a joint commission to work out details.



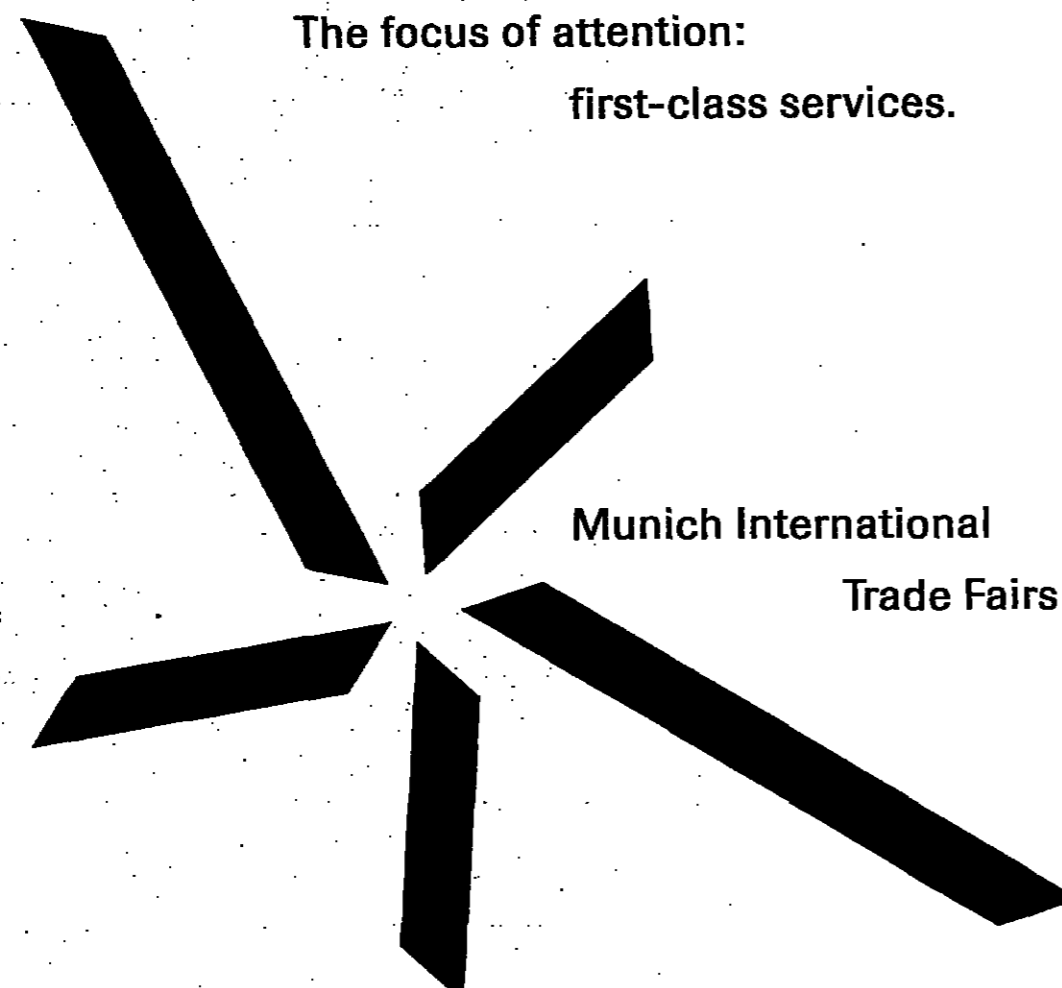
Sophia Schliemann, wearing gold jewelry found at ancient Troy.

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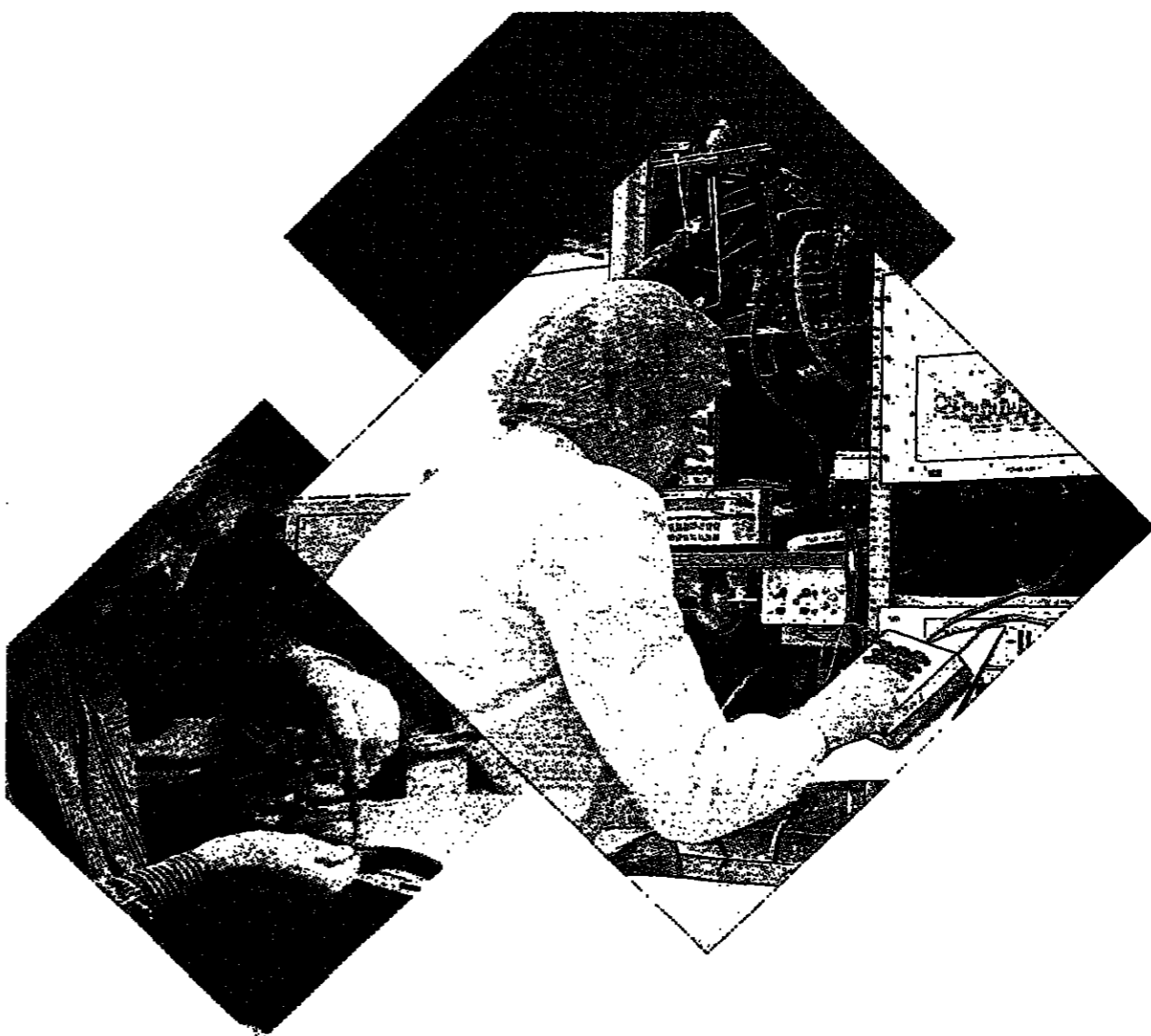
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SPORTS ICE HOCKEY

Red Wings Defeat Maple Leafs Easily In NHL's Playoffs

The Associated Press
There were no surprises on the second day of the National Hockey League's playoffs.

The Detroit Red Wings, one of the favorites to reach the Stanley Cup Finals, had an easy time with Toronto and the Vancouver Canucks, winners of six of seven regu-

STANLEY CUP

lar-season games against Winnipeg, continued their dominance.

Red Wings 6, Maple Leafs 3: In Detroit, the Red Wings scored on four of their first five shots in the second period, two goals coming on power plays, to jump out to a 5-1 lead in a Norris Division semifinal.

"We expected a physical game," said Detroit's Steve Yzerman, who had a goal and an assist. "But the score dictates what Toronto can try to do. After we got those quick goals in the second period, they couldn't play us that tight any more. It wasn't that physical after that."

"I think we were having a lot of trouble adapting to their speed," Toronto defenseman Jamie Macoun said. "We were letting them break

out much too easily, and we've got to work on that for Game 2."

The Red Wings, who are seeking their first championship since 1955, received goals from defenseman Steve Chiasson, Mark Howe and Yves Racine.

Paul Coffey helped set up the two power-play goals in the second period, giving him 93 career assists and sole possession of 10th place on the NHL's record list. Coffey, the highest scoring defenseman in league history, moved one assist past former Detroit great Gordie Howe.

Canucks 4, Jets 2: In Vancouver, Trevor Linden snapped in a rebound at 12:16 of the third period to put the Canucks ahead and Cliff Ronning added an insurance goal with 1:59 left. Vancouver's checking line of Anatoli Semenov, Garry Valk and Tim Hunter held rookie star Teemu Selanne to just one shot on goal in the Campbell Conference semifinal.

"Winnipeg played a cagey game, waiting for breaks and got a couple fluky goals, but we bounced back, took advantage of our chances," said Canucks' assistant coach Ron Wilson. "We were a lot more disciplined than a year ago when we lost the opener."



Winnipeg's rookie star, Teemu Selanne, being driven off the puck by defenseman Gerald Diduck, got just one shot on goal as Vancouver won the first game of their Campbell Conference semifinal, 4-2.

Just a Sporting Chance

International Herald Tribune
GLASGOW—If only sport were above suspicion, if only we could guarantee that all men played each game to the limits of their skill and spirit, Wednesday night's match would surely become a cornerstone of European soccer.

It is effectively the final leg of the Champions' League semifinals. One finalist, AC Milan, is already decided. The other could be Glasgow Rangers, or it could be Olympique Marseille.

The Rangers have, on paper, the easier task. Notwithstanding a Scottish predilection to climb mountains and fall over foothills, the Glasgow team playing in front of 44,000 of its impassioned supporters should beat CSKA Moscow.



But no matter how hard Rangers run, nor how many times they score, their destiny is in the hands of others. For if Marseille also wins, by any score, in Bruges then the French champion will qualify for the final.

Marseille stands even on points with Rangers but because they drew, 2-2, in Glasgow compared to 1-1 in France, the rules give Marseille a priceless advantage.

However, what sports administrators give with one hand, the nature of sport takes back with the other. Marseille has to achieve at least the same result—a victory, a draw, even a loss—as Rangers, but in a less hospitable place.

Not only does Brugge FC dislike the French, its players positively despise Raymond Goethals. He is the 71-year-old coach to Marseille who, in former times, trained the Belgian national team and according to partisans discriminated against players from Brugge.

More than that, Goethals was drummed out of Belgian soccer, banned sine die, 10 years ago after being in charge during the match fixing and tax dodging scandal at his club Standard Liege. To many Belgians he represents a Marseille whose president, Bernard Tapie, went out of his way to berate Brugge after a 3-0 victory for Olympique last autumn.

Tapie's words, an unparaphrased reference to anatomy, stuck in the craw of Belgians. Presumably the arrogant president never dreamed those "little Belgians" would hold his team's fate at their feet.

Well now they do, or some do. The worst news Tuesday for the Scots was that two of Brugge's most experienced campaigners had limped off the training field near Flanders. The skipper, Franky Van Der Elst, tweaked a thigh muscle, and his fellow national team player, Lorenzo Staelens, hurt an ankle.

The news aroused those old suspicions around Glasgow. Brugge's manager, Hugo Broos, scarcely helped when he commented: "There is no way they will be given painkillers, we have a much more important match on Saturday against Waregem."

Uh, oh! So the Belgians are only half committed to their European duty? Brude read between the lines. "Whatever happens," he added gruffly, "we are not going to gift the match to Marseille. The criticism from over there was diabolical and we want to set the record straight."

TALKING OF RECORDS, it was Milan who last beat Brugge on its own patch. And though Milan has the luxury of a month's planning before the final, its own unbeaten (some thought unbeatable) run has long gone.

Indeed, so vulnerable did Milan look in conceding a 3-1 victory at home to Juventus last Saturday that many think it can now be taken in a single game on May 26. Its Dutch goalkeeper Marco Van Besten is not certain to be back after ankle surgery, and the French deputy Jean Pierre Papin tore a muscle during a low grade training session last week.

Thus the prize, about \$105,000, of the European Cup suddenly glitters. Silvio Berlusconi, the Milan president, contradicts some of his own players by suggesting that his club fears Marseille more than Rangers.

To be sure, the Milanese appreciate that there is greater technical ability in Marseille. But for all the shooting power of midfielder Franck Sauze, for all the quixotic bursts of Abedi Pele and the guile of Rudi Voller, Olympique has a brittle self-confidence and an unreliable will.

Certainly each time it played Rangers, flair put the French ahead but Scottish spirit evened the score. When you are led by a warrior like Richard Gough, a man born in South Africa and raised in Sweden, no cause is lightly conceded.

And when you have a poacher like Ally McCoist, the first European to score 50 goals this season, hope springs eternal.

cards? We are in the era of sport as mega business. The strokes teams pull off the pitch are euphemistically called gamesmanship; in my language they are plain dirty.

When Rangers entered Marseille's Stade Velodrome two weeks ago sportsmanship went out of the window. As soon as Marseille took the lead through a spectacular right-foot goal from Sauze, the ball boys disappeared.

The idea was to waste time, to cut down the opportunity for Rangers to get back into the contest. Gough spotted the ruse, informed the Dutch referee, and was promised time would be added on to compensate for the skulduggery.

By the end, with the Scots having tied via an equally deserving right-foot volley from Ian Durrant, Gough was actually pleading with the ref to call time!

There was, however, more going on in Marseille. At halftime, Tapie was seen rapping on the referee's door and when, for reasons which have no place in sport, he barged his way in the Rangers' coach, Walter Smith, slipped in beside him to ensure nothing untoward was said or done.

It goes on and on, this aroma of suspicion, this game within a game which half-aware administrators would do something about. Of course, Scots are the last people to be cowed by the destitute French.

Before Smith raised the team's profile, some of us remember Rangers in Europe for the less than sporting management of Graeme Souness. His Rangers team never reached such a threshold as the present one, but he made a mark for himself as the cheat who allowed Dynamo Kiev to train on the Ibrox pitch and then, in the dead of night, had the field's width reduced by about nine meters to squeeze the space for the Ukraine's speedy wingers.

"No big deal," Souness responded. Maybe not. But there is usually a day of reckoning, and I only hope no greater corruption is perpetrated in Brugge that would eliminate Rangers from the chance won on merit.

Rob Hughes is on the staff of The Times.

Canadians, Czechs Win in World Championships

Compiled by Our Staff From Dispatches
MUNICH—Geoff Sanderson scored twice, getting the go-ahead goal on the first penalty shot of his career, to lead Team Canada to a 4-1 victory Tuesday over defending champion Sweden in the Ice Hockey World Championships. The victory was the second in as many games for Canada.

By converting the penalty at 5:54 of the third period, Sanderson, a center for the Hartford Whalers of the NHL, broke a 1-1 tie.

Mike Gartner added his second goal of the tournament for Canada, and Rod Brind'Amour completed the victory one second before the end of the game as the Canadians moved atop Pool A.

Canada was awarded the penalty after a Swedish defender covered the puck in front of his goal.

Goalkeeper Bill Ranford of the Edmonton Oilers had another exceptional game, making 36 saves, after posting Monday's shutout.

After Sanderson converted the penalty shot, Canada took full control. Gartner, the New York Rangers' right wing, made it 3-1 on a fast break at 10:44 of the third, and Brind'Amour, who plays for the Philadelphia Flyers, scored with just one second left.

Czech Republic 5, Germany 0: In Dortmund, the partisan crowd threw cans, coins and other objects onto the ice as the Czechs went atop Pool B.

The referee, Canadian Darren Loraas, had to interrupt the match several times in the third period to pick up the debris.

The announcer pleaded for sportsmanlike behaviour and called on the fans to live up to their generally good reputation, reminding them that objects on the ice constitute a serious danger to the players.

The trouble broke out after Radek Toupan put the Czechs ahead, 4-0, in the 49th minute following second period goals by Kamil Kastak, Jiri Dolzal and Petr Hrebek.

Two minutes earlier, German defender Greg Thomson had been ejected for the rest of the match for

violently cross-checking a Czech player, a penalty that annoyed the partisan crowd. (AP, Reuters)

In late Monday matches: Russia 4 Austria 2: Vyacheslav Bykov's two goals and Andrei Kholmov's goal and two assists helped Russia avoid another embarrassment in a Pool A match marked by several fouls. Russia, playing without its NHL stars, was held to a 2-2 draw by Italy on Sunday.

Finland 2 France 0: Finland, which survived a five-minute penalty for Erik Hamalainen in the first period, went ahead at 9:31 of the third period on a power-play goal by Jarikko Varvio. Juha Riihijarvi added the insurance at 18:01 in a Pool B match.

Spurned 49ers Halt Talks On Montana

New York Times Service

SANTA CLARA, California—The San Francisco 49ers, having again been told by Joe Montana that he wants to play for the Kansas City Chiefs, broke off negotiations on a trade for him after the two sides haggled over a second-round draft choice.

"We are in a delicate situation in that we are exploring all — and I underline all — of our alternatives," the 49ers' president, Carmen Policy, said after spending several hours reluctantly trying to trade the 36-year-old quarterback to the Chiefs.

"Because of the very special relationship with Joe, we will continue to attempt to take his wishes into consideration," Policy said at a packed news conference televised live back to Kansas City. "But from this point in time, the underlying purpose of what we do will be in the best interest of the 49ers."

The announcement threw a wrench into Montana's hopes for a swift trade to the Chiefs, with whom he agreed Friday to a three-year, \$10 million contract. It also left open the possibility that the 49ers would either trade him to the Phoenix Cardinals or force the three-time most valuable player in the Super Bowl to stay in San Francisco.

But the indications were that Montana would rather sit out the season than play for the Cardinals or 49ers.

Bosox Singularly Good Against Chisox

The Associated Press
The pitching has been superb, the fielding flawless and the hits coming in bunches.

It's only two weeks into the 1993 season, but the Boston Red Sox barely resemble the bumbling team

the Red Sox got all their runs on a walk to Jeff Richardson and seven consecutive hits — by Billy Hatcher, Mike Greenwell, Andre Dawson, Mo Vaughn, Carlos Quintana, Scott Cooper and Tony Pena.

The White Sox got just one run in three straight losses after winning the opener of the four-game series Friday.

Mariners 10, Tigers 6: Ken Griffey hit two of Seattle's four homers to help end Detroit's five-game winning streak.

Griffey also scored four runs for the visiting Mariners, who had been outscored by 33-10 — including a 20-3 rout Saturday — in the first three games of the series.

Pete O'Brien added a three-run homer and Tino Martinez a solo shot, and Jay Buhner drove in two runs for the Mariners, who hit four homers for the second straight day.

Blue Jays 7, Indians 1: Home runs by Turner Ward, Roberto Alomar and John Olerud gave Toronto a split of the four-game series in Cleveland as Juan Guzman rebounded from two poor starts to pitch seven strong innings.

Guzman, who entered the game with a 12.46 ERA, struck out seven and held the Indians to four hits, although walking six. One hit was an RBI double that ran Albert Belle's major-league-best hitting streak to a career-high 12 games.

Monday's filing means bankruptcy Judge Cornelius Blackshear will have a say on any agreement to sell the team.

ly pressed owner, Eli S. Jacobs, filed for bankruptcy protection and his lawyer said Jacobs hopes to make an announcement within two weeks on selling the team, The Washington Post reported.

The lawyer, Stephen Shimshak, said that negotiations on the sale are proceeding between Jacobs and a group of investors led by a Cincinnati businessman, William O. DeWitt Jr. Shimshak declined to provide additional details but said that "negotiations for the sale of the Orioles are continuing" and "moving favorably."

Monday's filing means bankruptcy Judge Cornelius Blackshear will have a say on any agreement to sell the team.

DENNIS THE MENACE



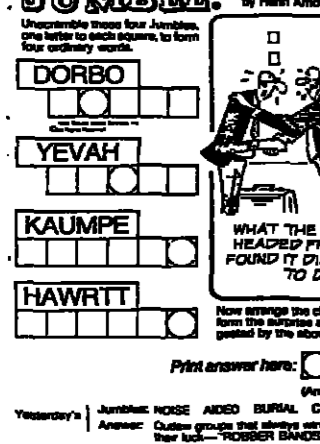
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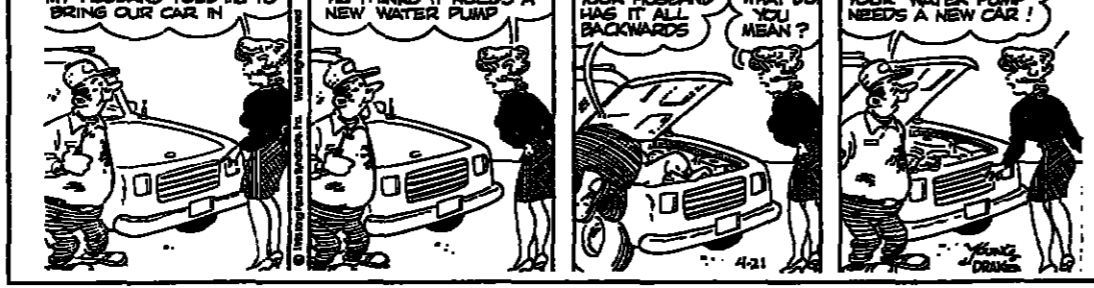
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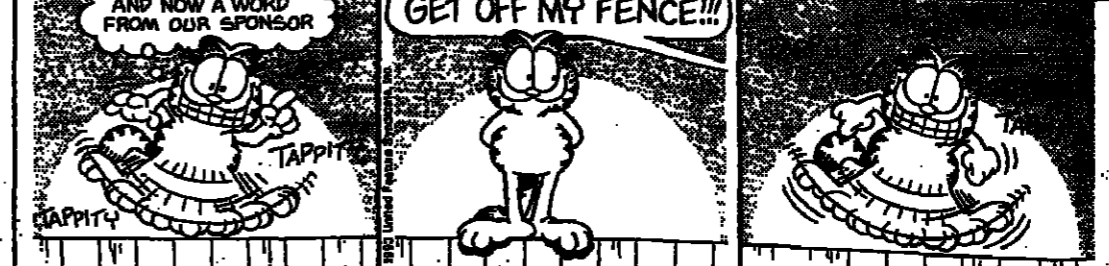
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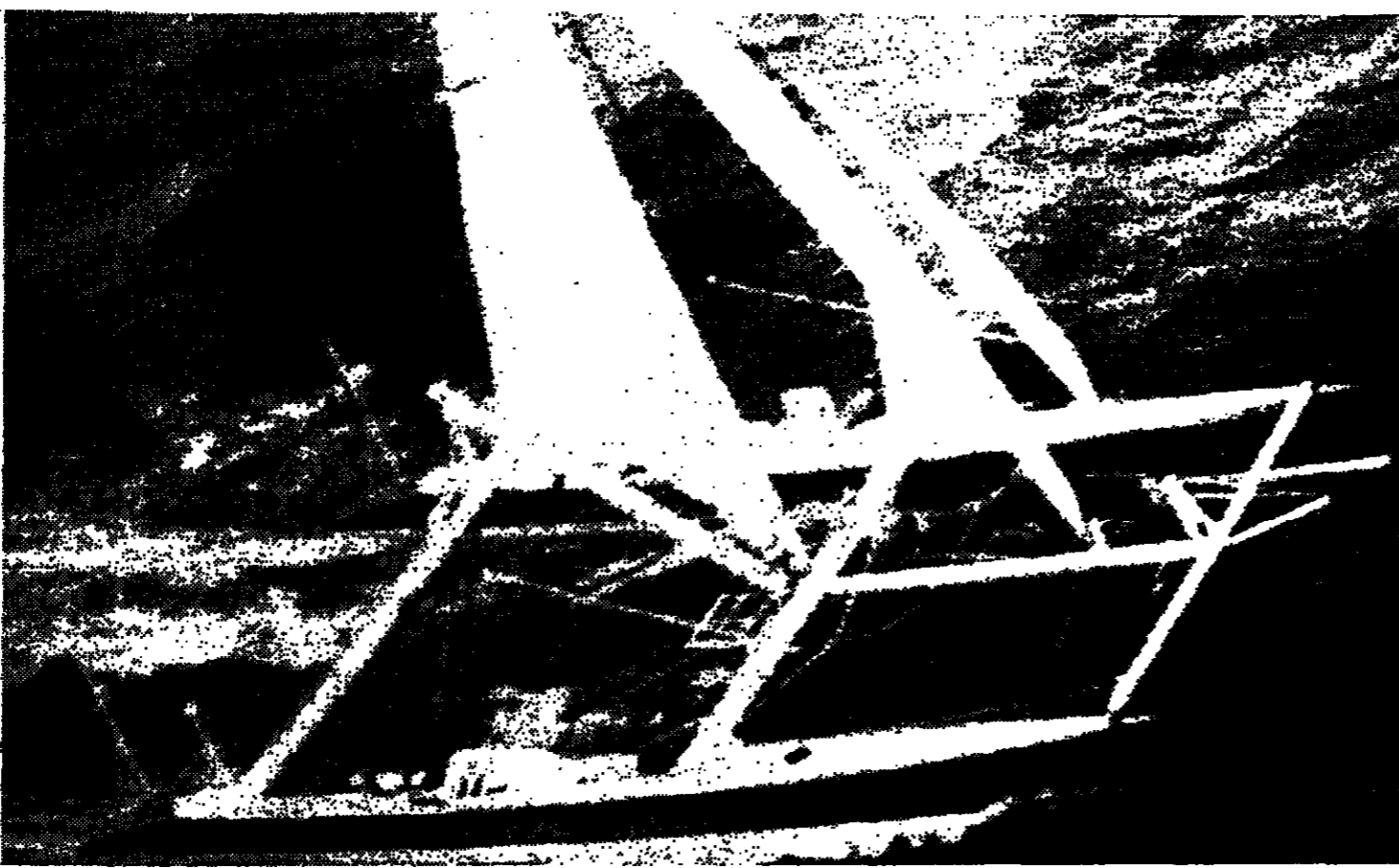
SPORTS SAILING

Göllner, Becker: Divided Champs From Germany

By Ian Thomsen
International Herald Tribune
MONTE CARLO — Applause greeted the newest German champion as he entered Tuesday morning through a space in the chain-link fence. His title was just two days old, so perhaps Marc Göllner still wondered what it meant? To be a champion? A dozen people, perhaps 20, were applauding him. Their roars sounded no louder than pebbles raining on the roof of a car. Walking onto the court he looked up at them sideways.

He was playing a doubles match inside a large cage containing two courts. He could play only doubles this week, and his match was on the court farthest from the people. The clay surface, freshly swept, looked as moody as old Florence stone, and it appeared to divide, from its hillside perch, the Mediterranean and the sky.
Any player will deplore such beautiful isolation. From across the hills the announcements and roars of the main stadium became mixed like a distant voice Göllner couldn't quite place. In that stadium, the greatest German champion, Boris Becker, 25, was again failing to win his first championship on clay. He was beaten, 7-6 (7-3), 6-3, by Marc Rosset of Switzerland, who suggested that Becker might win if he played his normal attacking game.

Eat Your Heart Out, Fogg: For Peyron, 79 Days



The Commodore Explorer as it sailed toward the finish line off Brittany, well on its way to circumnavigating the globe in fewer than 80 days.

Catamaran Smashes Records In Circumnavigation Race

Compiled by Our Staff From Dispatches
RENNES, France — French yachtsman Bruno Peyron and his four-man crew smashed all records Tuesday as they finished their 80-day round-the-world voyage with nearly 18 hours to spare.
Peyron sailed his high-tech catamaran Commodore Explorer over the finish line in the English Channel at 1918 GMT, having achieved over water in 79 days what Jules Verne's fictional hero, Phileas Fogg, managed over land and sea in 80.
The finish was defined by a line between Lizard Point on the southwest coast of England and the French island of Ouessant.
Peyron also shattered the previous round-the-world sailing record of 109 days, held by another Frenchman — Titouan Lamazon, who was one of the organizers of this event.
The Commodore Explorer departed Brittany on Jan. 31 at 2:02 P.M. Taking into account France's change to daylight savings time, the boat needed to cross the finish line by 3:02 P.M. Wednesday.
'It's like coming down in a spaceship,' Peyron told France Infos radio at midday Tuesday. 'We've got to re-link with reality.'
His crew consisted of three Frenchmen — Jacques Vincent, Olivier Despaing, and Jack Vincent — and an American, Cameron Lewis, 33, who was a member of Dennis Conner's crew that won the America's Cup in 1987.
Vincent and Despaing were thrown from the boat as it sailed through rough seas Saturday night, though they were attached to harnesses. Vincent suffered a slight head injury.
'Everything is going very well on board,' Peyron had earlier told Le Parisien newspaper. 'We are all very calm and relaxed, we're going at a great speed and the boat is perfect.'
'We have had an extraordinary, magic adventure, already full of fantastic memories.'
During a voyage that featured raging storms and a collision with whales, the 85-foot (26-meter) Commodore Explorer averaged more than 14 knots. It had traveled more than 27,000 miles (43,500 kilometers), covering a near-record 507 miles in a 24-hour dream run on Sunday. Two other boats dropped out early in the race.
Peyron, 37, set a speed record last July for a solo sail across the Atlantic: nine days, 19 hours, 22 minutes.
The Commodore Explorer was built in 1987 under the name Jet Services V, and in 1990 set the record for a trans-Atlantic sail of 6 days, 13 hours, 13 minutes.
It was rechristened in January after undergoing \$600,000 in modifications.
'It was a very, very risky project,' Peyron said earlier, only to realize he could spend years paying off personal debts of 2.5 million francs (\$450,000) borrowed to finance the venture.
Initial plans, drafted in 1990, called for the first race for the Jules Verne Trophy — which is still being sculpted by an American artist, Tom Shannon — to begin in 1994. But Frenchman Olivier de Kersauson decided to set off a year early, forcing Peyron and another boat to speed up their own preparations.
Kersauson's boat, the Charal, set off from Brittany on Jan. 25, but abandoned its attempt 23 days later after a collision with an ice berg.
The Enza New Zealand, skippered by Robin Knox-Johnston of England and New Zealander Peter Blake, set off the same day as the Commodore but struck an object in the Indian Ocean just 26 days later.

Perhaps others couldn't, but he is planning to win more tournaments. He can see the day when he won't like the questions.
All that is known about him at this point is that his father is a German diplomat. Göllner was born in Brazil 22 years ago. He moved to Tel Aviv, to Sydney, and back to Rio de Janeiro. He was 12 then, and growing too tall for soccer. He began meeting friends at the local tennis club. He was almost 16 when his father was moved to Bonn. There Göllner became involved with the German tennis federation and his coach, Maurer. When his father accepted a post in Yemen three years ago, Göllner stayed in Germany. He says Maurer has taught him to play various styles.
'You're asking him tactics,' Maurer said, interrupting the interview. 'He can't explain to you because all of these players, they read your story. He has the

complete game, because you have to have that today. Just say that hits the ball hard.'
It is the symptom of Becker's career, the world looking over his shoulder, that Göllner hopes to recreate. In near privacy he and partner Olivier Despaing of France destroyed a South African pair, Stefan Kruger and Piet Norval, 6-2, 6-4.
'Hopefully for him I hope nothing,' Maurer was almost shouting. 'Just practice and hit the ball hard. If you would have told me 10 days ago he might be near the top 50, I would have said you were crazy. But we wait. We play point by point, and we see how it turns out.'
As for Becker, he dreams of winning the French Open on clay. By playing well here he might have buoyed his confidence up north. But a succession of viruses has ruined his year. He is a champion, sure

enough, but the French Open is the last of the Grand Slams to elude him — and not just him, but Stefan Edberg. But for Edberg, it somehow is not as large an omission. He is not questioned as often about those things he hasn't accomplished.
'I envy him,' Becker said of Edberg, 'that he is going to be a father soon. But apart from that, I am quite happy with my character, with my personality. It is true with me it is always a big deal, and every year it seems like the same question is coming: Why don't you play your game on clay? And I always repeat: It is not the same thing.'
'You know,' he said, for it is another thing entirely to be a champion in full public view, 'that is a part of Boris Becker. Stefan Edberg has a completely different career than mine, and you cannot compare the two. But envy him? I am glad to be who I am.'

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SCOREBOARD

BASEBALL

Table with Major League Standings, American League, National League, and West Division columns.

BASKETBALL

Table with NBA Standings, Eastern Conference, and Western Conference columns.

Monday's Line Scores

Table with American League and National League game results.

Japanese Baseball

Table with Central League and Pacific League game results.

SIDELINES

Whitaker Agrees to Fight Chavez

SAN ANTONIO (AP) — The showdown between Julio César Chávez of Mexico and Pernell Whitaker of the United States, a bout many in boxing say will determine which can be called the world's best fighter, is to be fought Sept. 10 in San Antonio, Texas, according to the promoter Don King.

For the Record

Dave Maggard, 53, a shot-putter at the 1968 Olympics in Mexico City, has quit as the University of Miami's athletic director to become director of sports for the 1996 Atlanta Olympics.

TRANSACTIONS

Baseball transactions including Atlanta Braves, Philadelphia Phillies, and other team moves.

TENNIS

Davis Cup and ATP tourney results including matches between Andre Agassi and Andrei Medvedev.

SOCCER

English Premier League and other soccer match results.

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OBSERVER

When 'Boys' Are Louts

By Russell Baker
NEW YORK — Maybe it's time to rethink the American boys concept. What, for instance, do people really mean when they say, "Boys will be boys?"

Nancy Drew in '90s: A Feminist Update

By Patricia Leigh Brown
IOWA CITY, Iowa — For many young women, the age between braces and a retainer, before the freckles fade, is a moment when life's possibilities are illuminated in the darkness by a flashlight on a printed page.



Mildred Wirt Benson, author of the original Nancy Drew mysteries, giving an autograph.

mystery story. Last weekend, the University's School of Journalism and Mass Communication awarded the 87-year-old author, who was the first woman to receive a master's degree from the school and is now a columnist for the Toledo Blade, entry into their Hall of Fame.

PEOPLE

Jacqueline Onassis Sets The Scene in Interview

It was her first interview in three decades, but there were conditions: Jacqueline Kennedy Onassis spoke only about her career in publishing, she retained approval over how she was quoted, and tape recorders and cameras were barred.

WEATHER

Weather forecast for Thursday through Saturday, including maps of Europe, North America, and Asia, and temperature tables for various cities.

CROSSWORD

Crossword puzzle grid with clues for Across and Down, and a solution key for the puzzle.

BOOKS

RISKS WORTH TAKING: The Odyssey of a Foreign Correspondent. By Bernard S. Redmont. 250 pages. \$47.50. University Press of America. Reviewed by Barry James

est number of jobs in Paris, with the lowest aggregate income. Supported by his understanding wife Joan, to whom he pays gallant tribute, Redmont kept his sanity and his sense of humor. By afterwards, he could only wonder, why? Having patiently pried out his 2,200-page FBI dossier through the Freedom of Information Act, he found only a farrago of innuendo, gossip and speculation.

BEST SELLERS

Table listing best-selling books, including titles like 'The Bridges of Madison County' and 'The Client', along with their authors and sales figures.



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